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INTERNATIONAL MOGUL MINES LIMITED

a company
to result from the amalgamation of

Mogul Mines Limited

Canadian Dyno Mines Limited

Lorado Uranium Mines Limited

Yale Lead & Zinc Mines Limited

October 31, 1968

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INTERNATIONAL MOGUL MINES LIMITED

PROPOSED AMALGAMATION

International Mogul Mines Limited is the company to continue from the amalgamation under The Corporations Act (Ontario) of Mogul Mines Limited, Canadian Dyno Mines Limited, Lorado Uranium Mines Limited and Yale Lead & Zinc Mines Limited proposed to be effected by letters patent of amalgamation confirming an amalgamation agreement dated October 31, 1968 made among the amalgamating companies.

This circular is being furnished to the shareholders of the amalgamating companies with the information circulars forwarded to shareholders of such companies in respect of the general meetings of shareholders called for the purpose, among others, of considering and, if approved, adopting the above mentioned amalgamation agreement made among the amalgamating companies. If the requisite vote of shareholders of the amalgamating companies is obtained (two-thirds of the votes cast), the amalgamation agreement will be adopted within the meaning of Section 96 of The Corporations Act (Ontario) and the amalgamating companies will thereupon apply jointly to the Lieutenant Governor of the Province of Ontario for letters patent confirming the amalgamation agreement and amalgamating the amalgamating companies. The amalgamation agreement is annexed as a Schedule to the information circulars being forwarded to the shareholders of the amalgamating companies and reference is made thereto for the full terms and conditions of the amalgamation.

THE AMALGAMATED COMPANY

The legal effect of the amalgamation is to bring together the amalgamating companies into one continuing corporation under the name International Mogul Mines Limited (the "Company"). The amalgamation will bring into one corporation substantial assets presently owned by the various amalgamating companies, thereby creating a major corporate entity better able to acquire additional mining and other related assets.

This circular sets out, on a pro forma basis, information and financial statements with respect to the Company. The information set out herein and in the information circulars forwarded to shareholders in connection with the general meetings of shareholders of each of the amalgamating companies, should enable shareholders of the amalgamating companies to exercise informed judgment as to whether they should vote for or against the proposed amalgamation.

The Company will be a mining company actively engaged in the business of mining and exploring for minerals. The address of the head office and principal office of the Company will be Suite 509, 25 Adelaide Street West, Toronto 1, Ontario.

CAPITALIZATION

The share and loan capital structure of the Company and its consolidated subsidiaries as at October 31, 1968, after giving effect to the amalgamation will be as follows: (Note 1)

Long-Term Liabilities	
Notes payable, due May 31, 1970 (Note 2)	$ 255,109
First Mortgage Bonds of Mogul of Ireland Limited	
7% Series A	7,000,000
6¾% Series B (U.S. $6,500,000)	7,017,899
6¾% Series C (U.S. $1,000,000)	1,075,038
6¾% Series D (U.S. $4,500,000 (Note 3))	4,846,853
	$19,939,790
Minority Interest in Mogul of Ireland Limited	$ 376,875
Shares Without Par Value	
Authorized—4,000,000 shares	
Issued —2,605,862 shares	$11,046,079

NOTES:

(1) Mogul of Ireland Limited, M.E.M. Consultants Limited, Perry-Pattison Limited and Lorado of Bahamas, Limited are the consolidated subsidiaries.

(2) These Notes payable were exchanged for Debentures of Consolidated Halliwell Limited which had been guaranteed by Mogul Mines Limited, one of the amalgamating companies. The Notes are held by companies which formerly held such Debentures. Reference is made to paragraph 1 under the heading "Material Contracts".

(3) All of the authorized principal amount of the Series A Bonds, Series B Bonds and Series C Bonds has been issued. The authorized principal amount of the Series D Bonds is $6,500,000 (U.S.). However, it is not contemplated that more than an additional $300,000 (U.S.) principal amount thereof shall be issued. These First Mortgage Bonds are direct obligations of Mogul of Ireland Limited and are not guaranteed by the Company.

(4) Reference is made to note (8) of the notes to the consolidated financial statements of Mogul Mines Limited and consolidated subsidiaries for royalties arising under leases and sub-leases of mineral rights.

AUTHORIZED AND ISSUED CAPITAL

The authorized capital of the Company will consist of 4,000,000 shares without par value, of which 2,605,862 shares will be issued following the proposed amalgamation. The shares will be entitled to dividends as and when declared by the board of directors, entitled to one vote per share, entitled upon liquidation to receive pro rata such assets of the Company as are distributable to shareholders and will have no pre-emptive or conversion rights. The shares of the Company to be outstanding will be issued as fully paid and non-assessable. No dividends have been paid on the outstanding shares of the amalgamating companies during the last five completed financial years.

BUSINESS AND PROPERTY

GENERAL

Since 1954, Mogul Mines Limited (one of the amalgamating companies) was actively engaged in the business of mining and exploring for minerals and continuously employed mining engineers, geologists, technicians and field men in the search for and development of properties of merit. Incidental to its mining and exploration activities, Mogul Mines Limited made extensive investments in securities of other mining companies whose properties were explored and/or developed under the supervision and guidance of Mogul Mines Limited. During this period, Mogul Mines Limited acquired control of Canadian Dyno Mines Limited and a substantial interest in Lorado Uranium Mines Limited and Yale Lead & Zinc Mines Limited, the other companies which propose to amalgamate with Mogul Mines Limited to form the Company. Mogul Mines Limited has a 75% interest in Mogul of Ireland Limited.

The principal assets to be owned by the Company are outlined below.

MOGUL OF IRELAND LIMITED

Property

Mogul of Ireland Limited, which owns, leases, subleases or holds under prospecting licences the Silvermines property comprising 31.45 square miles in County Tipperary, Ireland, was incorporated under the laws of the Republic of Ireland in March 1964. The Company will beneficially own 75% of the outstanding shares of Mogul of Ireland Limited.

The area of the Silvermines property has been the scene of intermittent exploration and production activity since early in the seventeenth century. Mogul Mines Limited commenced its exploration activities on the property in November of 1962 with extensive geological mapping, geochemical soil sampling and geophysical surveying. This program indicated several promising sites justifying a diamond drilling program which commenced in June of 1963.

Since that date, 256 holes have been drilled on the property for a total of 132,731 feet. Of these, 212 holes of 113,956 feet have been drilled in the area known as the G Zone with the balance being in other areas. The drilling in the G Zone successfully outlined a major lead-zinc-silver ore deposit.

Mine and Mill Facilities

The Mogul of Ireland mine is capable of a production rate per mining day of 4,200 short tons which is equivalent to 3,000 short tons per milling day or approximately 1,000,000 tons per year. The mining plant, mining methods and ancillary services have been designed to handle this production.

The main opening to the mine is a vertical 6 compartment combination service and production shaft 930 feet deep located at the down-dip end of the upper G Zone. The head frame has a height of 125 feet. The shaft is served by two double drum electric hoists. The crusher station is located below the bottom working level of the shaft. The loading pocket connects with an ore and waste pass system servicing all levels of the mine.

Four levels have been established to develop and mine the upper and lower ore zones in the G Zone ore body. Most of the ore in the upper zone is being or will be mined from the upper three levels with the lower level giving access to the lower zone. The upper three levels are being developed, with the development of the lower level being deferred until a later date.

The concentrating plant and ancillary facilities have a capacity to treat 3,000 short tons of ore per day on a twenty-four hour day operation based on a total operating period of 345 days per year. The plant provides for yearly throughput of 1,000,000 short tons. The concentrating plant also houses the crushing and grinding circuits, the laboratory and mill office. A separate concentrate storage and loading facility adjacent to rail gives direct access from the mine property to the Port of Foynes on the Shannon Estuary. A storage shed and ship loading facilities have been constructed at the Port of Foynes which permits handling of ships of up to 15,000 tons.

The reserves referred to in the following Consulting Geologists' report are contained in what is described as the G Zone. Work on the B Zone, 2,000 feet east of the G Zone, has indicated a potential tonnage of approximately two million tons comparable in grade to the upper G Zone. Exploration on the B Zone has been discontinued for the present, in favour of mine development of the G Zone. In addition, limited drilling to the north of the G Zone has indicated a potential down-dip extension of this zone.

Markets

Mogul of Ireland Limited has smelter contracts with Erzgesellschaft m.b.H., of Frankfurt, West Germany, Bergmetall G.m.b.H., of Bad Homburg, West Germany, and Société Minière et Métallurgique de Penarroya, S.A., of Paris, France, providing for the sale of concentrates from the mine. Contracts are for a term of five years from September, 1968 or until all First Mortgage Bonds issued by Mogul of Ireland are retired, whichever is the longer. Price to be paid for lead concentrates is based on prevailing metal quotations on the London Metal Exchange and for zinc concentrates on the prevailing G.O.B. producer price published in the Metal Bulletin prevailing in the month following the month of delivery, both payable in U.S. dollars.

Financing

Reference is made to page 33 to Note (2) to the Notes to the consolidated and combined financial statements of Mogul Mines Limited and its consolidated subsidiaries for details of the financing of Mogul of Ireland Limited, including the security for the First Mortgage Bonds. The Trust Deed pursuant to which the First Mortgage Bonds are issued and secured contains a number of restrictive convenants including a covenant, to the effect, that so long as any First Mortgage Bonds remain outstanding Mogul of Ireland Limited will not pay any dividends. The Mogul of Ireland mine and mill are now in commercial production. The final capital cost of the mine and mill is less than the original budgeted cost.

Taxation

Under the provisions of the Finance Acts 1956 to 1967, Mogul of Ireland Limited is not required to pay any corporation or income taxes to the Republic of Ireland for twenty years from the date of commencement of production.

Consulting Geologists' Report

The following report dated October 28, 1968 prepared by James, Buffam & Cooper, Consulting Geologists, describes the Silvermines property and its economic potential in detail:

MOGUL MINES LIMITED

Report

on

Silvermines Operation

MOGUL OF IRELAND LIMITED
COUNTY TIPPERARY
IRELAND

October 28, 1968

This report contains a description of the mining operations of Mogul of Ireland Limited at Silvermines, County Tipperary, Ireland. It includes an estimate of the reasonably well assured ore reserves as outlined by surface diamond drilling and a review of operations since production was commenced in 1968.

The assumptions and statements in this report whether made by ourselves, or obtained from others, are all believed by us to be valid and to be the best approximations to be made in present circumstances.

This report is based on information collected during numerous visits to the property since 1964. Initially the cores from the diamond drilling were examined, the engineering plans and records were studied, and the proposals for the development of the mine were discussed with the Mine Management. This early examination formed the basis for an appraisal of the ore body for agents of a financing group who eventually made available $21,553,000 which was considered adequate funds to meet the costs, estimated by Mogul at $20,810,700, of bringing the Silvermines property into production. Commencing in 1964 monthly visits have been made to the property in the capacity of "Mining Engineer" acting under the terms of the Trust Deed, between Mogul of Ireland Limited and the Trustee for the holders of the First Mortgage Bonds. The Mining Engineer's duties consisted of certifying and approving certain capital expenditures made or incurred in connection with the Development Programme to enable Mogul of Ireland Limited to produce concentrates of lead and zinc.

LOCATION AND ACCESS

The Silvermines property of Mogul of Ireland Limited is situated in County Tipperary, Ireland, about 6 miles from the town of Nenagh. Limerick, the nearest city, is 22 miles due west, and Foynes, a seaport capable of development to handle 15,000 ton ships, is 25 miles west of Limerick, on the Shannon river estuary.

A secondary paved road crosses the property and provides access to the Limerick-Cork-Dublin main highway. The Dublin-Limerick line of the Government owned railway crosses the property, and a spur siding has been built to the concentrate loading platform at the plant.

GEOLOGY

Sediments of Lower Carboniferous, Devonian, and Silurian ages form the rocks in the vicinity of the ore bodies. They are roughly conformable, striking east-west and dipping from 0 to 45 degrees to the north in the vicinity of the ore bodies.

A strong regional normal fault cuts these sediments. The fault dips 65 to 75 degrees north and strikes about east-west. The ore zones occur intercalated in the Lower Carboniferous formations which lie in the hanging wall of the fault. Its footwall rocks are composed of sandstones of Devonian age.

A generalized section, from surface downwards, of the rocks in the hanging wall of the fault, is as follows:

Limestone
Chert
Dolomite with chert bands
Recrystallized light grey dolomite
Brecciated light and dark grey dolomite

Upper Ore Horizon

Transition zone or reef limestone
Dark grey argillaceous limestone
Dolomite

Lower Ore Horizon

Dolomite
Graphitic fragmental
Sandstone

All the rocks near the ore zones are relatively massive and competent. The evidence suggests that they should stand well when opened up by mining.

DESCRIPTION OF THE ORE ZONE

The Upper Ore Zone consists generally of massive sulphides, pyrite, marcasite, sphalerite and galena, occuring as a sheet or bed conformable with the attitude of the sediments. Sulphide mineralization of ore grade was outlined by the drilling over an east-west length of 2,500 feet and 2,000 feet north-south. The ore zone is truncated to the south by the fault, in whose vicinity grade and width of the ore are greatest. Maximum thickness of ore is of the order of 100 feet. The dip of the ore lens varies from about 15-45 degrees, adjacent to the fault, to horizontal about 2,000 feet to the north.

The sulphide mineralization is generally well delineated both top and bottom though the edges are generally lower grade than the centre of the lens. The ore body carries a higher grade core extending from the fault northwards for approximately 1,000 feet and along strike for 1,500 feet. The average grade of this core is 2.75% Pb and 10.10% Zn, compared to the surrounding area which averages 1.69% Pb and 5.35% Zn.

The Lower Ore Zone, grading 3.98% Pb, 3.11% Zn and 1.10 oz. Ag, also extends from the fault in a northerly direction conformable with the sediments. In contrast to the Upper Ore Zone the ore minerals; galena, sphalerite and pyrite, along with minor amounts of chalcopyrite, tetrahedrite and marcasite, are coarser grained, frequently with discrete crystals and the sulphides seldom amount to more than 20% of the ore zone.

A third mineralized zone was discovered by drilling about 2,000 feet along strike to the east. Ore grade values were intersected over mining widths in 18 holes. These intersections suggest the possibility that another ore body may be present on the property.

ORE RESERVES

The ore structure at the Mogul of Ireland property at Silvermines was investigated by surface diamond drilling prior to 1965. The holes were drilled on a regular 100 foot grid, over a strike length of 2,500 feet and for 2,000 feet on dip. Two ore zones designated Upper and Lower were outlined and a third zone was located but was not explored in detail. The Upper zone contains a high grade core truncated up dip by a fault, with an aureole on the other three sides of lower grade material.

The results of the drilling were sufficiently consistent, especially in the Upper Ore zone, to warrant the assumption that they established with reasonable certainty the tonnage and average grades of the ore shown in the following tables.

The estimate of the ore in place was compiled by levels and subdivided into stope ore to be mined initially; stope pillar ore which could be mined after filling of the adjacent empty stopes; drift pillar ore lying above the haulage ways and which will be extracted after removal of the stope pillars; and crosscut pillar ore which will probably be taken as salvage during the last stage of mining.

The estimate of the ore reserves was calculated from the drill hole intersections taken to a cut-off combined lead-zinc grade of 5% with the addition of the adjoining 5 feet on the hanging wall to allow for dilution. The grade of the five foot sections on the hanging wall was included. The tonnage factors employed were 8.5 cu. ft. to the ton for the Upper Ore zone and 11 cu. ft. for the Lower Ore zone where the sulphides are disseminated and form only a small proportion of the ore zone.

Vertical cross sections were used from which to compute the reserves. The ore intersections in adjacent diamond drill holes were connected by straight lines and the area of influence of each hole was assumed to extend midway to the adjacent hole in the vertical section and midway to each adjacent parallel vertical section.

The following table gives the estimated ore reserves in the Upper and Lower Ore zones prior to underground development and stope production.

ESTIMATE OF ORE RESERVES

	Tons	% Pb	% Zn	Oz. Ag
UPPER ORE ZONE				
High Grade Section				
1st Level	858,000	5.24	10.69	1.55
2nd Level	3,096,000	3.01	10.18	1.07
3rd Level	1,786,000	1.64	10.18	0.31
4th Level	633,000	1.23	8.72	0.33
Total High Grade Section	6,373,000	2.75	10.10	0.85
Low Grade Section	3,882,000	1.69	5.35	0.60
TOTAL	10,255,000	2.34	8.30	0.76
LOWER ORE ZONE				
TOTAL	1,725,000	3.98	3.11	1.10
TOTAL UPPER AND LOWER ORE ZONE	11,980,000	2.58	7.55	0.81

The Upper Ore zone was estimated to contain 10,255,000 tons grading 2.34% lead, 8.30% zinc and 0.76 oz. silver. The higher grade section of the Upper Ore zone contains 6,373,000 tons grading 2.75% lead, 10.10% zinc and 0.85 oz. silver. The Lower Ore zone contains 1,725,000 tons grading 3.98% lead, 3.11% zinc and 1.10 oz. silver.

Since underground development commenced, ore hoisted has either been placed on the surface stock pile or, since milling commenced, some of it was sent directly to the mill. The ore hoisted has included both ore directly from stoping as well as ore from the stock pile which was drawn down to the underground crusher and after crushing was rehoisted and mixed with the stope ore. Until the stock pile is exhausted a valid grade or tonnage comparison between the grade of ore milled and the ore mined cannot be made.

The ore milled in 1968 is tabulated below:

ORE MILLED TO SEPTEMBER 30, 1968

Month 1968	Tons	Grade Lead	Zinc
May	9,642	1.46	6.79
June	47,880	1.46	6.79
July	46,368	1.73	8.15
August	55,669	1.58	6.99
September	72,581	1.55	8.90
TOTAL	232,140	1.57	7.77

The ore mined to date amounts to about 2% of the ore contained in the Upper Ore zone, but it is not a truly representative sample because a considerable tonnage of unavoidably low grade material from lateral drifting and cross cutting and from stope development had to be included in the surface stock pile. When ore from underground is largely drawn from the stope it can be expected that the grade of ore sent to the mill will be equivalent to the preproduction estimate.

METALLURGY

Metallurgical investigation of ore, principally from the Upper Ore zone, was accomplished in the laboratories of Lakefield Research of Canada, Consolidated Mining & Smelting Company and Galigher Company at Salt Lake City, Utah. This test work was carried out during the period May, 1964 to March, 1965. Appraisal of the results obtained in these laboratories was made on behalf of Mogul of Ireland by Messrs. A. H. Ross and Associates and by Mr. D. A. Livingstone.

A series of samples for test work were obtained from the split diamond drill cores, selected to give a close approximation of the average ore. Altogether 110 drill hole intersections of ore were combined to form the final composite sample of the higher grade central core of the Upper Ore zone. The grade of this composite sample was 2.81% Pb, 10.64% Zn, and 0.88 oz. Ag, which checked closely with the estimated average grade (2.75% Pb, 10.10% Zn and 0.85 oz. Ag) of the ore reserves in this portion of the ore zone.

The metallurgical investigation of the Mogul ores was restricted to laboratory bench and locked cycle tests. The results of the test work performed by the three laboratories were generally similar and indicated that standard flotation procedures would be applicable to these ores. It was concluded that, while pilot plant testing would be useful in confirming the results of these tests, it would not be necessary because of the character of the ore, the proposed conventional method of concentration, and the satisfactory agreement in the laboratory results.

A lead concentrate containing the silver, and a zinc concentrate containing the cadmium, is being produced. After the plant is run-in consideration will be given to the production of a pyrite concentrate, by the addition of the necessary flotation cells. The concentrates are being de-watered in thickeners and dried before being transported to Foynes for shipment to the smelters.

The following recoveries and concentrate grades were predicated from the results of the bench tests.

Lead	74%
Zinc	85%
Silver	25%

It was expected that the foregoing recoveries would produce concentrates grading approximately as follows:

Lead Concentrate—40.0% Pb; 6.5% Zn; 3.5 oz. Ag
Zinc Concentrate —50.0% Zn; 1.0% Pb; 0.8 oz. Ag

To date the grade of the lead concentrates at 29% has been below the estimated grade of 40%. It is expected that, when all the ore is drawn from underground after the stock pile is exhausted, and freshly broken ore from underground is fed to the mill, the grade and percentage recovery will improve. The grade of the zinc concentrates has averaged about 49% which, considering the amount of preproduction stock piled ore that has been treated, is reasonable. This percentage recovery should rise as the mill circuit becomes adjusted and all ore is derived from underground.

No penalty elements have been found in the concentrates during smelting or refining.

TRANSPORTATION AND SHIPMENT OF CONCENTRATES

The dried concentrates with a moisture content of 8% are being transported by railroad from the mine to Foynes and stock piled there prior to shipment.

Total annual production of short dry tons of concentrates will average approximately 210,000 tons (50,000 tons lead and 160,000 tons zinc). It should be noted that zinc is at least three times as abundant in the ore as is lead, the price of zinc is therefore the dominating factor in the value of the ore.

OPERATING COSTS

The operating costs per ton of ore milled, including transportation to smelter, during the past 3 months are as follows:

Month	Tons Milled	Operating Cost per ton
July	46,368	$8.36 (Canadian)
August	55,669	$6.50 (Canadian)
September	72,581	$5.73 (Canadian)

There has been a progressive decrease in these costs coincident with an increase in the tonnage treated. It is a reasonable assumption that they will level out about $5.70 when monthly treatment rate attains 85,000 tons milled.

This average cost per ton compares with the preproduction estimate of $6.00 per ton for the first year of production and $5.50 thereafter but not including cost of transportation of concentrates from the mine to the smelter.

During September the production of metal amounted to 924,200 pounds of lead and 10,045,000 pounds of zinc, or a total of 10,969,200 pounds. The revenue, i.e., the net smelter returns for lead amounted to $53,300 and $554,000 for zinc.

The following table shows the results obtained in September with respect to the estimated net value and the profit realized per pound of lead and zinc.

NET SMELTER REVENUE FOR LEAD AND ZINC

	Lead					Zinc				
	SDT	Grade	Pounds	Total Revenue	Revenue per pound cents	SDT	Grade	Pounds	Total Revenue	Revenue per pound cents
September	1,583	29.19	924,200	$53,300	5.77	10,223	49.13	10,045,000	$554,000	5.52

PROFIT PER POUND METAL (LEAD + ZINC) CONTAINED IN CONCENTRATES

	Total pounds Pb & Zn recovered	Total Operating cost	Operating Cost per pound cents	Total revenue per pound cents	Profit per pound cents
September	10,969,200	$416,000	3.79	5.54	1.75

CAPITAL EXPENDITURES

Development Programme

The date of Commencement of Production, signifying the completion of the Development Programme, was certified as of September 25, 1968. At September 30, 1968 the total expenditure exclusive of working capital of $800,000 made to prepare the ore body for production and construct a treatment plant with a daily capacity of 3,000 tons amounted to $18,077,978 compared to pre-development estimate of $20,810,700. The outstanding commitments at September 25 will increase this total by approximately $200,000. The overall reduction from the initial estimate of the Development Programme will be approximately $1,750,000 (Cdn.) or about 9%.

Probable Annual Capital Expenditures

Commencing in the year 1970 it can be expected that the annual capital expenses will amount to approximately $250,000.

SURFACE EXPLORATION

Exploratory work from surface on the present Mogul property to the extent of at least $75,000 annually should be started after the plant has been in production for a year. For example, the third ore zone requires additional surface drilling before underground exploration and development work is undertaken.

DEBT REPAYMENT

According to the terms of the Trust Deed between Mogul of Ireland and the Trustee for the holders of the First Mortgage Bonds, Mogul of Ireland has covenanted to establish a retirement fund for the Series A, Series B, Series C and Series D Bonds by paying to the Trustee, on or before September 1 in each of the years 1969 to 1974, both inclusive, an amount equal to its Net Cash Flow from Operations for the period from the Date of Commencement of Production to May 31, 1969 in the case of the payment to be made on September 1, 1969 and for the period of 12 months ended on the May 31 next preceding such payment in the case of the payments to be made on September 1 in each of the years 1970 to 1974 both inclusive.

The payments to be made on September 1, 1969, September 1, 1970 and September 1, 1971 will be applied by the Trustee to the redemption or payment at maturity on such dates of Series D Bonds and any excess thereof will be applied to the redemption of Series B Bonds. The payments to be made on September 1, 1972 and September 1, 1973 will be applied to the redemption or payment at maturity on such dates of Series B Bonds and after all of such Bonds have been retired to the redemption or payment at maturity of Series C Bonds. Any excess of such payments, together with the payment to be made on September 1, 1974 will be applied to the redemption of Series A Bonds.

Mogul of Ireland has covenanted in the Trust Deed that, notwithstanding the amount of its Net Cash Flow from Operations, it will have paid to the Trustee as part of such retirement fund an amount sufficient to redeem, or pay at maturity, or will have redeemed at its option, the following aggregate principal amounts of Series A, Series B, Series C and Series D Bonds on or before the dates set out below:

September 1, 1970	$ 3,900,000 U.S.
September 1, 1971	$ 6,500,000 U.S.
September 1, 1972	$11,000,000 U.S.
September 1, 1973	$14,000,000 U.S.
September 1, 1974	$14,000,000 U.S. and
	$ 3,500,000 Canadian

less in each case the difference between the principal amount of Series D Bonds actually issued by Mogul of Ireland and $6,500,000 (U.S.).

GENERAL REVIEW OF CURRENT OPERATIONS

Production

During the past three months the tons milled have increased steadily as shown in the following tabulation:

		Grade		% Recovery		Conc. Grade	
Month	Ore Milled	Lead	Zinc	Lead	Zinc	Lead	Zinc
July	46,368	1.73	8.15	34.2	79.7	24.6	48.9
August	55,669	1.58	6.99	39.0	73.5	25.1	47.8
September	72,581	1.55	8.90	40.8	77.8	29.2	49.1
Preproduction		2.75	10.10(2)				
Estimate	75,000(1)	1.69	5.35(3)	74.0	85.0	40.0	50.0
May 1, 1968		2.34	8.30(4)				

(1)—Estimate of 900,000 tons for 1st year of production
(2)—High grade section of Upper Ore Zone
(3)—Low grade section of Upper Ore Zone
(4)—Average of Upper Ore Zone

It was originally expected that the property would be in production in January 1968. However the completion of shaft sinking was delayed about six months. The mill consequently was not started up until late May and instead of the treatment of 900,000 tons in 1968 it is now probable that not more than 420,000 tons will be processed this year.

To the end of October about ⅓ of the tonnage treated will have been drawn from the low grade surface stock pile of development muck. In addition to its low grade character, the contained sulphides have been oxidized since the ore was hoisted to surface. This oxidation has affected the recovery of the ore minerals. The average monthly ore grades as given in the above table, allowing for the inclusion of the unavoidably low grade stock piled material from the underground preliminary development work are reasonably close to the estimated overall grades of the ore body.

The percentage recovery of the zinc is of the order of 77.8% which is not greatly below the estimate of 85%, if allowance is made for the oxidized character of the ore from the surface stock pile. However, the percentage recovery of lead of about 40% is considerably lower than the expected 74%. This again, to a great extent, has been caused by the oxidization of the lead minerals in the stock pile. Also affecting the lead recovery has been mechanical difficulties in the lead circuit of the flotation section of the mill. It is unknown at present how much of an improvement will be attained when all the feed is drawn from underground and entirely fresh lead minerals enter the plant, but a marked improvement over current levels is a reasonable expectation.

Concentrate grade of 50% for zinc is up to forecast but lead concentrate grade of 29% is well below the estimate of 40%. It is very likely that when wholly fresh sulphide ore is supplied to the mill that the lead concentrate grade will more closely approximate the preproduction estimate.

The usual six month tune up period for a mill of the character of the Mogul plant will be completed by November 30. At that time a much closer appraisal of the potential of the treatment plant will be possible. At present it is a reasonable expectation that it will then be performing satisfactorily and according to specifications.

Mining

The main centre of delay in bringing the property to its full potential has been underground. Initially the shaft sinking was delayed by poor performance on the part of the sinking contractors, one of whom had to be replaced.

Considerable underground water was encountered during the shaft sinking, and water has been a constant source of trouble in the development work away from the shaft. The lateral horizontal work progressed without serious difficulty but since vertical work was started water entering the workings from the surrounding rocks has plagued the operation. This has been especially the case with respect to the ore and waste passes. Here extensive grouting has been done under contract by the Cementation Company of England, but the water has proven difficult to control; as one area is sealed off the water breaks out in an adjacent area. The passes have had to be drawn empty occasionally to provide access for the injection of the cement, thereby causing interruption in the flow of ore to the underground crusher and eventually to the mill. The water problem is gradually being solved in the areas where it causes most trouble, i.e., the ore and waste passes. It is hoped that the current grouting programme will meet with success within the next month or two.

Another area which has presented problems has been the difficulty in recruiting an adequate supply of experienced machine men, particularly competent for drilling the long holes necessary for the type of mining being used. Local labour is slowly being trained and eventually will form practically the entire labour force. However, in the meantime a considerable number of experienced men have been brought to Ireland from Canada. They have been useful in training, and in demonstrating what can be accomplished in a shift. To maintain the monthly requirement of 85,000 tons of ore requires 45,000 to 50,000 feet of long hole drilling; last month a total of 36,000 feet was accomplished. This is the best footage to date and reflects the gradual solution of this problem. Labour still remains however one of the major difficulties of operating an underground mine in Ireland.

Milling

Generally the mill, including the crushing section, has operated satisfactorily, though some minor adjustments still have to be made.

The ore being sent to the mill has contained an excessive amount of moisture largely caused by underground water entering the ore passes above the underground crusher. This wet muck sticks in the ore bins and on the belts. It is hoped that in the near future the grouting programme currently in progress underground will eliminate most, if not all, of the excess moisture from the ore before it reaches the crusher.

Operating Costs

The unaudited operating costs including transportation of concentrates from mine to smelter during the past three months are given in the following table:

Month	Total	Tons Milled
July	$388,000	46,368
August	$361,000	55,669
September	$416,000	72,581

The costs per ton of ore milled and transported to the smelter were therefore as follows:

July	$8.36
August	$6.50
September	$5.73

When the stock piled ore on surface is exhausted in November and all ore sent to the mill has to be drawn from underground, unit mining costs will undoubtedly be increased. However, off-setting this increase to a certain extent will be the effect of the larger average tonnage per month that will be treated.

It is rather early to be definite about the eventual average operating costs which on June 1, 1965 were estimated without transportation costs at $6.00 for the first year and $5.50 thereafter. However, it is a reasonable assumption that they will level off at approximately $5.70 per ton ore milled.

General Conclusion

The Mogul operation in Ireland has encountered an undue number of set backs but it is a reasonable expectation that by year end the present problems will be easily solved. Currently the major requirement is an adequate pool of experienced miners capable of efficiently drilling the long blast holes required in the stopes. A second source of trouble in the mining operation is the large amount of water entering the mine working especially in the ore and waste pass system. The amount of this water will eventually be reduced by grouting in the vicinity of the passes.

It is a reasonable assumption that by the beginning of 1969 the monthly tonnage of ore hoisted to the mill from underground will be of the order of 85,000 tons. Grade of this ore should approximate 2.0% Pb and 9.5% Zn or about the average of the Upper Ore zone.

Operating profits in August and September were as follows:

	Operating Profit	Interest Charges	Net Profit
August	$162,500	$112,000	$50,500
September	$191,000	$119,000	$72,300

James, Buffam & Cooper
Per: (Sgd.) B. S. W. Buffam

October 28, 1968

Investment in New Quebec Raglan Mines Limited

The Company will own, following the amalgamation, 1,226,820 shares, being 16.4% of the outstanding shares, of New Quebec Raglan Mines Limited ("Raglan") formerly held by Canadian Dyno Mines Limited.

Raglan holds mineral exploration licences on four contiguous properties in a nickel-copper belt located in the Cape Smith-Wakeham Bay area of Ungava, New Quebec. In the 1967 annual report to the shareholders of Raglan, the directors stated:

> "During the year the Company's four contiguous properties in the nickel-copper belt located in the Cape Smith-Wakeham Bay area of Ungava, New Quebec were held under Mineral Exploration Licenses designated PRM 160, PRM 174, PRM 175 and PRM 176. These Licenses have been renewed for a further period of six years each. A group of 65 claims which adjoin the northern boundary of PRM 176 was allowed to lapse, and two claims located immediately south of PRM 174 were maintained in good standing.
>
> Surface exploration was continued within the Raglan and Katiniq areas, while limited reconnaissance mapping, prospecting and aeromagnetic surveys were carried out elsewhere on the Company's properties. The following diamond drilling was completed during the year:
>
> | | | |
> |---|---|---|
> | Raglan area | 23 holes | 22,182 feet |
> | Katiniq area | 42 holes | 19,030 feet |
>
> The results of this drilling were covered in reports to shareholders dated May 30th and September 30th, 1967. Appended to this report are a location map of the above areas and detailed drill plans.
>
> The Katiniq drill program was designed primarily to establish the mineable continuity of the sulphide zones outlined by the previous work and possible extensions to the east and west. The results indicated a series of mineable lenses along a strike length of approximately 1,600 feet plunging gently to the east at depths up to 600 feet. The zone is open both to the east and west. Additional drilling on a comparable grid pattern along this structure is required before the full potential of this zone can be assessed.
>
> The Katiniq results lend encouragement to the Raglan occurrences which have only been defined on a relatively wide-spaced grid interval. Drilling results in the Raglan area delimited the lateral extent of the Raglan West zone and indicated significant extensions of the Raglan East zone to the northwest. Additional surface drilling is required to define the extent of this zone.
>
> Studies related to access, transportation, material handling, metallurgical treatment, plant facilities and construction were continued throughout the year. These studies have served to indicate the magnitude of the work required to assess the feasibility of commercial operations in the area. Likewise, clarification of taxation and other monetary and legalistic matters, both Federal and Provincial, is needed before a feasibility report on this project can be completed. The report of The Royal Commission on Taxation (the Carter Report) still beclouds the issue until definitive legislation has been enacted."

In the interim report dated August 12, 1968 to the shareholders of Raglan, Dr. H. J. Fraser, President of Raglan, advised as follows:

> "Diamond drilling got underway at the end of May and involved four machines initially with an additional drill being added later in the season. To the end of June, 52 holes totalling 15,700 feet had been drilled. At present the combined total of the indicated ore reserves at Raglan and Katiniq is estimated to be at least 6 million tons grading 3.6% nickel (undiluted). Every effort is being made to outline sufficient ore on which to base a more exhaustive feasibility study."

Further, referring to another area covered by the above-mentioned mineral exploration licenses Dr. Fraser stated in the 1965 annual report to Raglan shareholders:

"No diamond drilling was carried out in the Cross Lake, C1 and C2 areas during the year and as reported in the 1964 report, the indicated ore reserves remain unchanged at 10,050,000 tons grading 1.55% nickel and 0.78% copper."

Reference is made to paragraph 2 under the heading "Material Contracts" below.

Investment in The Grand Bahama Development Company, Limited

The Company will own, subsequent to the amalgamation, either directly or through its wholly-owned subsidiary Lorado of Bahamas Limited, 1,950,000 shares being 16.9% of the outstanding shares of The Grand Bahama Development Company Limited (the "Development Company"). The Grand Bahama Port Authority, Limited (the "Port Authority") formed under the laws of the Bahama Islands in 1955 owns 54% of the outstanding capital stock of the Development Company.

Freeport Area, Grand Bahama Island

The Port Authority, the Development Company and their various subsidiaries are engaged in the development of an area (the "Freeport Area") comprising approximately 214 square miles in and around the City of Freeport on Grand Bahama Island about 80 miles east of Palm Beach, Florida. Grand Bahama Island which is about 80 miles long and 8 miles wide is located approximately 60 miles due east of the United States mainland of Palm Beach, Florida and lies athwart the main north-south shipping lines from the East Coast ports of the United States to the Caribbean Islands, Central and South America. The City of Freeport, which lies on the southern coast of Grand Bahama Island about 20 miles from the western tip of the Island was planned by the Port Authority.

One area was set aside as the industrial and business centre in the City of Freeport and about 102,000 acres were set aside to create a resort and residential community known as Lucaya. The total population of Grand Bahama Island increased from 9,500 to 30,500 in the period from 1963-1968, including a growth in the Freeport Area from about 1,850 to 17,000 residents in the same period.

Hawksbill Creek Act and Hawksbill Creek Agreement

The special status of the Port Authority is established in an Act of the Governor, Legislative Council and Assembly of the Bahama Islands, known as The Hawksbill Creek, Grand Bahama (Deep Water Harbour and Industrial Area) Act 1955, enacted on August 4, 1955. On the same day, the Governor, acting pursuant to authority granted in the Act, entered into an Agreement on behalf of the government with the Port Authority.

The Port Authority agreed that within a period of three years from the date of the Agreement it would dredge and construct a deep water harbour at the point where the Hawksbill Creek enters the Atlantic Ocean on the south side of Grand Bahama Island, and the Port Authority would also construct wharf facilities and a turning basin for ships in the Hawksbill Creek. When the port was completed it was declared a private port under the administration of the Port Authority.

As part of the administration of the port, the Port Authority is required to keep the channel adequately dredged, to maintain the docks and wharves in good repair, and to provide facilities for cargo and passenger vessels, keeping in mind the requirements of industries which might be established in the area.

The Port Authority was also required to establish and maintain, at its expense, certain educational and medical facilities for the inhabitants of the area and also certain housing and office facilities for government personnel in the Freeport Area. These governmental obligations have been satisfied by an undertaking of the Port Authority to construct 1,000 houses for sale, of which 200 have already been built.

The Government of the Bahamas (the "Government") can change the Hawksbill Creek Act and the Hawksbill Creek Agreement, but counsel for the Port Authority is of the opinion that any such changes which would adversely affect the rights and privileges of the Port Authority and its licensees would require the consent of the Government of the United Kingdom.

Importing Privileges and Tax Benefits

Any supplies (other than consumable goods) necessary for use in the Freeport Area, including supplies and materials to be used in housing, factories, construction, roads, parks, bridges and recreational facilities, may be imported free of duties or taxes imposed by the Government. The privilege also extends to administrative supplies that fall within the category of educational and medical supplies.

Until 1990 there will be complete exemption in the Freeport Area from:

(a) Real property taxes on lands or buildings within the Freeport Area;

(b) Personal property taxes or taxes on capital gains or capital appreciation realized by the Port Authority or its licensees;

(c) Taxes on the earnings of the Port Authority or its licensees in the Freeport Area, and taxes on the salaries and bonuses of employees of the Port Authority and its licensees, provided they are ordinarily resident in the Freeport Area.

Until 2054, there will be complete exemption in the Freeport Area from:

(a) Import duties (except on goods for personal use or gifts);

(b) Excise taxes (except on consumable goods imported into the Freeport Area);

(c) Export taxes and stamp taxes on bank remittances.

Licenses to Engage in Business

No person can conduct a business in the Freeport Area without a license from the Port Authority and the Port Authority is authorized to grant licenses to persons on such terms as the Port Authority and said licensees may agree. Effective November 1, 1968, the Government of the Bahamas must be advised of any application for a license and if the Government disapproves the license will not be granted. Moreover, if the Port Authority denies a license, the applicant will have the right to appeal to the Government, whose decision shall be final.

Communications System

Under the Hawksbill Creek Agreement, the Port Authority established wireless telegraph and telephone systems for communication from within the Port Area to the rest of the Bahamas and to the United States. This was turned over to the Government of the Bahamas, which currently operates the system. The Port Authority, however, remains liable for all costs of operation, plus 25% of such costs, but credit is given for the income derived therefrom.

Port Authority

In some cases title to land in the City of Freeport has been retained by the Port Authority, and commercial and industrial licensees generally acquire their right to use the land by agreements with the Port Authority. A licensee who wishes to construct a building on the site for commercial or industrial purposes pays a fee to the Port Authority in the nature of a license fee and ground rent. Homesites are generally sold by the Port Authority and the Development Company on terms, usually involving a 20% minimum down payment in cash, and the balance payable in installments over a five to seven year period. Title to land sold is retained until payments are completed. The purchaser has no obligation to complete payments but if he defaults all prior payments are forfeited. Full income is reported at the time of sale, less reserves for development expense and doubtful accounts.

Under the Hawksbill Creek Agreement between the Port Authority and the Government referred to above, only the Port Authority and any licensee of the Port Authority shall have the right to carry on and engage in business or professions, including manufacturing, shipbuilding, lumbering, engineering, building constructions, civil engineering, contracting, warehousing, storing, assembling, processing, chemicals, refining, repairing, service businesses, undertaking, storing and supplying of petroleum and fuel products and marine supplies, trucking, transportation of passengers and freight, and stevedoring.

Exploration and planning followed the Hawksbill Creek Agreement of 1955 and it was not until 1963 that Freeport's major activities got under way. The first major industrial plant following the development of the harbor was a cement plant by Bahama Cement Co., a subsidiary of U.S. Steel Company. Seventeen financial institutions have established offices in Freeport, including three Canadian chartered banks and Barclay's Bank (D.C.O.). Many other service and business concerns were established and a number of luxury hotels were built to accommodate visitors, including The Lucayan Beach Hotel, Holiday Inn, The King's Inn and The Sheraton Oceanus Hotels.

The number of visitors to the Freeport Area increased from 26,000 in 1963 to 265,000 in 1966. Freeport International Airport is currently completing its third major expansion. There were over 100,000 landings and takeoffs in 1967. Air connections are available to all the principal Bahama Islands (New Providence, Bimini, Abaco, Eleuthera and Andros). Jet flights are presently available from Toronto and Montreal by Air Canada; from London, New York, Bermuda and Jamaica by BOAC; from New York by Northeast Airlines and Pan American; from Washington, D.C. by Pan American; from Boston, Massachusetts by Northeast; from Philadelphia, Pennsylvania, Baltimore, Maryland, and Southeast Florida by Eastern Airlines. Bahamas Airways connects Freeport with Nassau and other cities in the Caribbean islands and also has numerous daily flights from Miami.

Development Company

The Development Company owned about 100,000 acres principally to the east of the City of Freeport in the area known as Lucaya. Approximately 25,000 of these acres have been improved for sale as homesites and about 15,000 acres have already been sold. The Development Company has constructed streets and installed electrical lines and storm and sanitary sewers in certain limited portions of the developed area and is obligated to construct additional streets and facilities.

In general the Development Company does not encourage the sale of large tracts of lands to developers, but prefers to sell single family homesites to the ultimate users or an apartment site to a builder.

The Development Company is dredging a creek which bisects Grand Bahama Island in a general north-south direction, in order to make it into a navigable waterway which will give persons on the north side of the Island a water access to the south. As a result more waterfront homesites of the type familiar in Florida will be created along the waterway and on spurs.

Bahamas Amusements Limited has obtained an exclusive certificate of exemption from the Government of the Bahamas to operate casinos on Grand Bahama Island for a ten-year period commencing January, 1964. At the present time Bahamas Amusements is operating only two casinos, one at the Lucayan Beach Hotel and one in a separate building known as El Casino. Bahamas Amusements Limited is owned by two individuals who have assigned the operation, including all profits, subject to liabilities, to the Development Company. In connection therewith the Development Company has guaranteed certain obligations of Bahamas Amusements for two ten-year periods ending in 1974 and 1976. The principal obligations guaranteed relate to rentals applicable to the gaming areas and to subsidies to be paid to certain hotel operators and to an aircraft operator. Each casino is subject to an annual tax of $500,000 plus a percentage varying from 10% up to 20% on gross gain in excess of $5,000,000. The certificate of exemption could be cancelled by the Government of the Bahamas. In 1967, the Development Company sold its entire interest in a company which is associated with a new casino in Nassau, Bahamas.

Earnings of Development Company

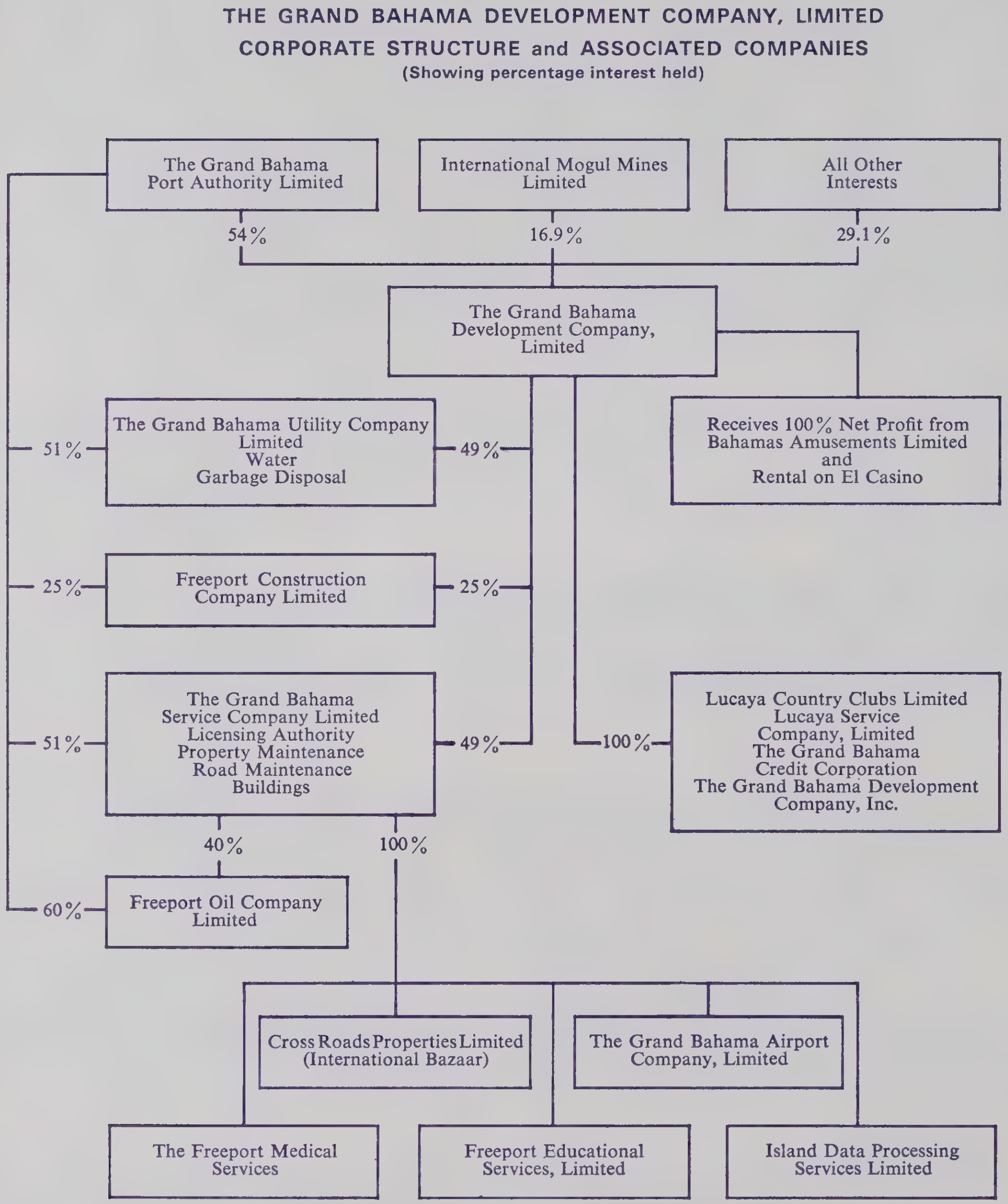
Retained earnings of the Development Company as at October 31, 1967 amounted to $17,397,209 (U.S.).

Net income of the Development Company for the fiscal years ended October 31, 1965 to 1967 inclusive was as follows:

1965—$2,620,186 (U.S.)
1966— 6,771,438 (U.S.)
1967— 6,120,833 (U.S.)

There is no established market for the shares of the Development Company. No dividends have been paid on the shares of the Development Company, nor has a dividend policy been announced.

A chart showing the corporate structure of the Development Company and its associated companies is set out below:



Other Activities of Port Authority and Development Company

In addition to operation of a modern port and the development, sale and leasing of real estate, the Port Authority and the Development Company, through their wholly-owned or majority-owned subsidiaries, operate a power company, which supplies electrical power to the area, a utility company, which supplies water and, to a lesser extent, handles garbage and refuse collection, the Freeport Airport, which has a modern runway capable of handling the largest jet planes, and, through a subsidiary owned jointly with the Port Authority, a construction company, which builds roads and other structures required in land development. Neither the Port Authority nor the Development Company builds houses or commercial structures for resale other than with respect to the commitment of the Port Authority referred to under the sub-heading "Hawksbill Creek Act and Hawksbill Creek Agreement" above.

Offer by Benguet Consolidated, Inc.

Benguet Consolidated, Inc. ("Benguet"), a corporation organized and existing under the laws of the Philippines and whose shares are listed for trading on the New York Stock Exchange has submitted to its shareholders for approval a transaction whereby 92.5% of the outstanding shares of the Port Authority would be acquired by Benguet in exchange for 8,106,805 common shares and 752,908 Series A Convertible Preferred Stock in the capital stock of Benguet. If this proposed transaction is concluded, control of the Port Authority (which in turn controls the Development Company) will be acquired by Benguet.

Lake Ainslie Property

The Company will hold either directly or under option a total of 135 mining claims in the Lake Ainslie area of Nova Scotia, formerly owned by Yale Lead & Zinc Mines Limited. The following report dated October 29, 1968 prepared by James, Buffam & Cooper, Consulting Geologists, describes the property and its economic potential in detail:

YALE LEAD & ZINC MINES LIMITED

TORONTO, ONTARIO

Report

on

Lake Ainslie Operation

INVERNESS COUNTY, NOVA SCOTIA

October 28, 1968

The Lake Ainslie barite-fluorite property, consisting of 135 claims, is situated in Inverness County, Çape Breton Island, Nova Scotia, about 48 miles west of the city of Sydney.

The area is accessible by gravelled road from Whycocomagh. This town is 15 miles south of the property and there is a dock site here on the Bras d'Or lakes about 35 miles from the Atlantic Ocean. Vessels of up to 15,000 ton capacity and draught of 27 feet can be used.

We are indebted to Mr. Walter F. Brown for assistance in the preparation of this report. The writer visited the property during the 1939-45 war and made an examination on behalf of the Department of Munitions and Supply.

The assumptions and statements in this report whether made by ourselves or obtained from others, are all believed by us to be valid and to be the best approximations to be made in present circumstances.

HISTORY

In the early part of this century a small production of barite and fluorite was obtained from an open pit on the MacMillan Vein. Later an adit 360 feet in length was driven along the Campbell Vein. A shaft 90 feet in depth was sunk on the MacMillan Vein and 100 feet of drifting was accomplished at a depth of 80 feet.

During the Second World War the property was investigated by the Nova Scotia Department of Mines and by the Federal Department of Munitions and Supply, but no attempt was made to develop it for production.

A large programme in excess of 12,000 feet of diamond drilling along the Campbell-MacMillan Vein Zone was completed in 1966 and 1967 by Yale Lead & Zinc Mines Limited.

GEOLOGY

Palaeozoic	Mississippian	Canso	Shale, sandstone conglomerate
		Windsor	Limestone, shale and sandstone
		Horton	Sandstone, Siltstone conglomerate, arkose limestone
			Rhyolitic tuff, Basalt
	Devonian		Granite, syenite, diorite
PreCambrian			Quartzite, schist, gneiss, crystalline limestone

The barite and fluorite occurs in veins in the rhyolitic tufaceous horizon of the basal member of the Mississippian (Carboniferous) and also to a minor extent in the overlying Horton series of rocks. This mineralization occurs as fissure filling and the veins have sharply defined boundaries with the enclosing wall rocks. The veins strike approximately east-west and dip steeply.

The barite varies in colour from pink to white and is present as bands in the veins and as comb-like structures. The fluorite occurring with the barite has colour variations of violet, blue, green and colourless. It is present as both granular masses and as individual grains. Calcite is the major gangue mineral.

ORE RESERVES

The following estimate of the Ore Reserves as indicated by the surface diamond drilling has been prepared by the staff of Yale Lead & Zinc Mines and it forms the basis of this report:

Vein	Average Width	Vertical Height	Tons	Grade % $BaSO_4$	% CaF_2
Campbell	11.4	450	326,600	49.64	24.95
Dilution 10%	1.1		32,700	5.00	5.00
Sub Total	12.5	450	359,300	45.58	23.14
MacMillan	30.5	700	1,516,000	42.58	17.57
Dilution 10%	3.1		152,000	5.00	5.00
Sub Total	33.6	700	1,668,000	39.17	16.42
Total after dilution	30.0		2,027,300	40.30	17.61

In addition to the 2,027,300 tons of ore indicated in the Campbell-MacMillan Vein Zone about 1,000,000 tons of marginal ore have been indicated in the Johnson Main, Johnson—1, and McDougal Vein Zones. This latter ore generally occurs erratically distributed over relatively narrow widths and has not been included with the potential ore in the following evaluation.

OPERATING COSTS

The drill indicated ore reserves of 2,027,300 tons would be sufficient to provide a daily mill tonnage of 1,000 tons (350,000 tons per year) for approximately 6 years. At such a rate it is estimated that the operating costs per ton would probably be as follows:

		Per ton ore milled	
Underground Development and Stoping			2.50
Milling	Labour	0.40	
	Reagents and consumable supplies	1.20	
	Assaying	0.09	
	Fuel and power	0.75	
	Service charges on pipe line	0.10	
	Ship loading	0.06	
	Supervision	0.10	2.70
Administration	Overhead	0.35	
	General Expense	0.25	
	Head Office	0.15	
	Royalties	0.25	1.00
	TOTAL OPERATING COST		$6.20

This estimate does not allow for deferred charges or interest on funded debt.

CAPITAL EXPENDITURES

Kilborn Engineering Limited were employed in March 1968 by Yale Lead & Zinc Mines Limited to prepare an estimate of the capital costs required to erect a plant capable of treating 1,000 tons per day (350,000 tons per year) and to do sufficient underground development work to produce this amount of ore. The preliminary estimate has been recently revised based on more recent metallurgical test work. The flowsheet has not been tested in a pilot plant.

Without allowance for interest after commencement of production on the funded debt, yearly capital expenditures, exploration, etc., the estimate of capital costs required for a development programme for a 1,000 ton a day plant is as follows:

Underground Crushing Equipment (1)	$ 550,000
Concentrator—Building	720,000
Equipment	2,010,000
Loading Equipment	47,000
Power House—Building	12,000
Equipment	300,000
Power Supply	91,000
Service Complex—Building	189,000
Equipment	109,000
Tailings Disposal	74,000
Water Supply	207,000
Sewage Disposal	35,000
Road, Yards, Fencing, Gate House	12,000
Housing	200,000
Mobile Equipment	130,000
Pipe Line to Dock (2)—Pipe and installation	440,000
Pumps and electrics	20,000
Dock at Whycocomagh—Structures	127,000
Equipment	10,000
Storage and Ship Loading—Building	180,000
Equipment	384,000
Dock Yard, Roads, Service	106,000
Overhead during Construction, Contractors' Fees, Equipment Rental	656,000
Engineering Design	526,000
Sub Total	7,135,000
Contingencies 10%	700,000
Interest during Construction at 7¾%	770,000
Working Capital (4 months)	750,000
Mill Inventory	150,000
Total Pre-production Capital Cost for Plant	9,505,000
Pre-production Underground Development	2,380,000
TOTAL PRE-PRODUCTION EXPENDITURES	$11,885,000

(1) *Includes cost and installation of a primary crusher, hoist and hoisting equipment, conveying through an adit to the secondary crusher; no rock excavation included.*

(2) *It is proposed to crush the ore at the mine site and pump it in a pipe to the concentrator which will be located at the dock site in Whycocomagh.*

MILLING

It is envisaged that concentration would include the following stages of treatment:

a — Two stage crushing
b — Primary grinding utilizing lump and ore pebble milling
c — Barite Flotation
d — Fluorite Flotation
e — Concentrate dewatering and drying

Each flotation circuit would include five stages of cleaning to provide flexibility of product grade control.

The design of the plant includes flexibility to permit the production of two products.

(a) 95.5% Chemical grade barite at a rate of 120,000 tons per year.
(b) 97% Acid grade fluorite at a rate of 52,560 tons per year.

MARKETING AND ESTIMATED RESERVES

There is no adequate market in Canada at present for the production and it would have to be shipped to the United States. Probably the logical market would be in Chicago, but as yet, no formal contract has been arranged for the sale of the product.

To estimate the revenue that might be derived from the sale in Chicago the prices quoted in the July 1968 issue of the Engineering & Mining Journal are used in the following appraisal:

$Ba\ SO_4$ CONCENTRATE PER SHORT DRY TON

United States Price		$24.50 (U.S.)
Less: Duty	2.60	
Shipping	3.50	
Stevedoring at New Orleans	1.10	
Unloading Chicago	1.10	
Moisture	0.50	
Commission 5%	0.98	
Sampling	0.22	
Total	$10.00	

Net per ton concentrate $14.50 U.S.=$15.66 Canadian
Per ton of ore =$ 5.38 Canadian

$Ca\ F_2$ CONCENTRATE PER SHORT DRY TON

United States Price		$53.50 (U.S.)
Less: Duty	1.87	
Shipping	3.50	
Stevedoring at New Orleans	1.10	
Unloading Chicago	1.10	
Moisture	0.50	
Commission 5%	2.14	
Sampling	0.22	
	$10.43	

Net per ton concentrate $43.07 U.S.=$46.30 Canadian
Per ton of ore =$ 6.98 Canadian
Revenue per ton of ore—$5.38+6.98=$12.36

The indicated revenue that might be expected from the recoverable ore presently in sight would be 2,000,000×($12.36—$6.20)=$12,320,000.

CONCLUSION

The development of this property cannot be recommended at present because of (1) the uncertainty with regard to markets for the barite and fluorite production, (2) the lack of pilot plant investigation of the apparently complicated metallurgy, and (3) the rather close coincidence between the estimated revenue from the ore in sight and the estimated capital expenditures required for a Development Programme. Also no allowance is included in the calculation of operating costs for interest on funded debt, capital expenditures, or exploration after the commencement of production.

However the property warrants further exploration both at the property and by means of additional metallurgical investigation of the ores. It is an asset to Yale Lead & Zinc Mines Limited that at some future date may prove a viable undertaking.

James, Buffam & Cooper
October 28, 1968 per: (Sgd.) B. S. W. Buffam

Exploration Activities

The Company intends to search for other ore bodies in Ireland, Canada and elsewhere. Following the amalgamation, the Company will be a party to various syndicate exploration agreements with associated and other companies. In conjunction with its exploration activities, the Company will own numerous mining claims, options and other interests in mining properties. None of the mining claims, options or other interests in mining properties which the Company will acquire as a result of the amalgamation are of major significance at the present time.

Other Assets

Following the amalgamation, the Company will own shares of mining and other companies (exclusive of its interest in New Quebec Raglan Mines Limited) having a present quoted market value of approximately $2,708,000. This investment includes a substantial share interest in North Rankin Nickel Mines Limited, McWatters Gold Mines, Limited, Irish Copper Mines Limited, North Coldstream Mines Limited, Panacolor, Inc., Silvermines Limited, Consolidated Halliwell Limited and The Lithium Corporation of Canada, Limited.

MANAGEMENT

Directors and Officers

The names and home addresses in full of the persons who will be the directors and officers of the Company, offices held and their principal occupation within the five preceding years are as follows:

Name and Address	Office	Principal Occupation
Sydney Albert Perry, 1 Benvenuto Place, Toronto 7, Ontario.	Chairman of the Board and Director	President, Perry-Pattison Limited (mining executives).
David Wallace Knight, 27 Dale Avenue, Toronto 5, Ontario.	President, Chief Executive Officer and Director	President, Draper Dobie & Company Limited (stock brokers) since 1965; previously employed by G. W. Nicholson & Co. Limited (stock brokers).
George Donald Pattison, R.R. #2, Aurora, Ontario.	Vice-President—Administration and Director	Vice-President, Perry-Pattison Limited.
Philip Sidney Cross, 82 Kilbarry Road, Toronto 7, Ontario.	Vice-President—Operations and Director	Mining Engineer, employed by Mogul Mines Limited, one of the amalgamating companies.
Robert Donald Bell, 7 Hi Mount Drive, Willowdale, Ontario.	Vice-President—Finance and Director	Secretary-Treasurer, Perry-Pattison Limited.
Wilfred William Weber, 1 Stratheden Road, Toronto 12, Ontario.	Vice-President—Exploration	Geologist, employed by Mogul Mines Limited.

Name and Address	Office	Principal Occupation
Joseph Paul Brisbois, 39 Craigmore Crescent, Willowdale, Ontario.	Secretary-Treasurer	Employee of Perry-Pattison Limited since July, 1967; previously employed by Thorne, Gunn, Helliwell & Christenson (chartered accountants).
Latham Cawthra Burns, 261 Warren Road, Toronto 7, Ontario.	Director	President, Burns Bros. and Denton Limited (investment dealers) since 1966; previously officer and director of Burns Bros. and Denton Limited.
Robert Adair Davies, 21 Ava Road, Toronto 10, Ontario.	Director	Partner, Davies, Ward & Beck (solicitors).
Evan Thomas Donaldson, 49 Thorncliffe Park Drive, Toronto 17, Ontario.	Director	Mine developer.
William James, 41 St. Leonards Avenue, Toronto, Ontario.	Director	Consulting Geologist with James, Buffam & Cooper.
John Kostuik, 16 Belleglade Court, Weston, Ontario.	Director	Vice-President and General Manager, Dennison Mines Limited.
Edward Bruce McConkey, 51 Burnview Crescent, Scarborough, Ontario.	Director	Vice-President Finance and Treasurer, formerly Assistant Secretary-Treasurer, Dennison Mines Limited.
Anthony Roman, R.R. #2, Gormley, Ontario.	Director	Executive Assistant, Roman Corporation Limited and Dennison Mines Limited.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the four amalgamating companies and their consolidated subsidiaries to their directors and senior officers during their last completed financial years respectively was $201,518. In addition, during such periods $225. was paid as direct remuneration to such directors and senior officers by unconsolidated subsidiaries of the amalgamating companies. The aggregate direct remuneration paid by the amalgamating companies and their consolidated subsidiaries to such directors and senior officers subsequent to such last completed financial years to October 1, 1968 was $150,035. and $200. was paid to such persons during such period by unconsolidated subsidiaries of the amalgamating companies, and of such aggregate amounts $137,035. was paid to persons who are proposed to be directors and senior officers of the Company.

Interest of Management and Others in Material Transactions

1. In November 1965, Mogul Mines Limited (one of the amalgamating companies) purchased $7,000,000 principal amount of 7% First Mortgage Bonds, Series A of Mogul of Ireland Limited for a price of $5,433,000. Mogul Mines Limited obtained the funds to pay the purchase price therefor by selling such Bonds, together with 245,000 shares of its capital stock, to Burns Bros. and Denton Limited, Toronto, at the same price. Burns Bros. and Denton Limited, in turn, offered such Bonds and shares for sale to institutional investors. Burns Bros. and Denton Limited, of which L. C. Burns, one of the proposed directors of the Company, was and is a director, officer and shareholder, may have realized a profit on the resale of such Bonds to the institutional investors.

2. In February 1966 the Executors of the Estate of Harry William Knight sold to North Coldstream Mines Limited 2,000,000 shares of Mogul Mines Limited (one of the amalgamating companies) for an aggregate purchase price of $7,000,000. D. W. Knight, proposed to be the President, Chief Executive Officer and a director of the

Company, was and is a beneficiary of the Estate of Harry William Knight. Dobieco Limited, Suite 503, 25 Adelaide Street West, Toronto, Ontario, a company incorporated under the laws of Ontario, and other companies associated with the Knight interests then beneficially owned approximately 62% of the outstanding shares of North Coldstream Mines Limited. All the outstanding shares of Dobieco Limited are now and were then of record owned by D. W. Knight and the Estate of Harry William Knight.

3. Immediately prior to the amalgamation, Dobieco Limited, the company referred to in the preceding paragraph hereof, sold to Mogul Mines Limited (one of the amalgamating companies) 1,151,300 shares of McWatters Gold Mines, Limited at a price of 50¢ per share or an aggregate price of $575,650. The average cost to Dobieco Limited of the said shares of McWatters Gold Mines, Limited, was 50¢ per share. At the time of such transaction, Mogul Mines Limited was a substantial shareholder of McWatters Gold Mines, Limited.

4. On October 1, 1968 Dobieco Limited purchased privately 497,000 shares of Lorado Uranium Mines Limited (one of the amalgamating companies) at an effective price of $2.13 per share.

5. Immediately prior to the amalgamation, Canadian Dyno Mines Limited (one of the amalgamating companies) sold to North Coldstream Mines Limited 100,000 shares of Mogul Mines Limited at the price of $4.55 per share, being the price per share determined for the basis of conversion in the amalgamation. North Coldstream Mines Limited is controlled by Dobieco Limited which is controlled by D. W. Knight and the Estate of Harry William Knight.

6. In 1965 Yale Lead & Zinc Mines Limited (one of the amalgamating companies) acquired from Dobieco Limited the Lake Ainslie option to be owned by the Company as referred to above for $22,797. The option was acquired at Dobieco Limited's cost. Reference is made to note (2) of the notes to the financial statements of Yale Lead & Zinc Mines Limited on page 49 below.

Certain of the proposed directors of the Company beneficially own, directly or indirectly, shares of the amalgamating companies and are directors, officers and/or shareholders of one or more of the amalgamating companies, as to which reference is made to material under the heading "Interlocking Interests of Directors and Officers" in the information circulars referred to herein which were forwarded to the shareholders of the amalgamating companies.

Share Options

Mogul Mines Limited (one of the amalgamating companies) has issued to an employee of Mogul of Ireland Limited an option to purchase an aggregate of 10,000 shares of Mogul Mines Limited at the price of $3 per share, exercisable as to 5,000 shares by August 1, 1969 and as to 5,000 shares by August 1, 1970. The obligation under this option agreement will become an obligation of the Company as a result of the amalgamation to the extent of 2,500 shares of the Company at the price of $12 per share.

Proposed Executive Stock Option Plan

The directors of the Company propose, following the amalgamation, to adopt an executive stock option plan relating to 100,000 shares of the Company. Options will be granted under the plan from time to time at the discretion of the directors of the Company to key executives of the Company and its subsidiaries at prices commensurate with prevailing market prices, subject to the requirements of The Toronto Stock Exchange.

PRINCIPAL HOLDERS OF SECURITIES

Following the amalgamation, North Coldstream Mines Limited will beneficially own 525,000 shares of the Company, being 20.1% of the outstanding shares of the Company. It is not expected that any other shareholder will beneficially own more than 10% of the outstanding shares of the Company.

PENDING LEGAL PROCEEDINGS

The Department of National Revenue issued assessments against Canadian Dyno Mines Limited (one of the amalgamating companies) in amounts totalling approximately $725,000 for the taxation years 1961-1963 inclusive,

based on allegations that the principal business of that company was not mining or exploring for minerals within the meaning of the Income Tax Act (Canada). The company's appeal against such assessments was upheld by the Tax Appeal Board in 1966. The Minister of National Revenue has appealed this decision to the Exchequer Court. By judgment pronounced October 1, 1968 the Supreme Court of Canada held that the principal business of Mogul Mines Limited (one of the amalgamating companies) for the taxation years 1957-1960 inclusive was mining or exploring for minerals within the meaning of the Income Tax Act (Canada). It is not yet known if the Minister proposes to abandon the Department's appeal in view of the judgment of the Supreme Court of Canada.

Canadian Dyno Mines Limited in June 1968 received notices of assessment from the Department of National Revenue in respect of its 1964, 1965 and 1966 taxation years assessing additional tax for such years, with interest, totalling approximately $235,000. Canadian Dyno Mines Limited has filed notices of objection to these assessments. Of such assessments, $130,500 relate to tax (and interest) on gains realized on the disposal of certain shares of Raglan Nickel Mines Limited (now New Quebec Raglan Mines Limited), $39,000 relate to tax (and interest) on the disallowance of exploration and development expenses and $56,300 relate to tax (and interest) on the disallowance of a loss which arose when the company ceased mining operations at its property in Bancroft and employee housing was sold at a loss. Canadian Dyno Mines Limited believes that the liability to pay the tax (and interest) relating to the disallowance of exploration and development expenses will be determined at the time that its position in respect of the former assessments on the same issue is clarified.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company will be Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, 101 Richmond Street West, Toronto, Ontario.

The transfer agent and registrar for the shares of the Company will be Guaranty Trust Company of Canada, 88 University Avenue, Toronto, Ontario.

MATERIAL CONTRACTS

The material contracts entered into by the amalgamating companies within the two years preceding the date hereof, otherwise than in the ordinary course of business, are as follows:

1. An agreement dated as of March 15, 1968 between Mogul Mines Limited (one of the amalgamating companies), K. & G. Holdings Limited and National Outlook Corporation, of the one part, and Consolidated Halliwell Limited (No Personal Liability), of the second part (amended by an agreement dated May 8, 1968), providing for the cancellation of $2,907,000 aggregate principal amount of 6½% Sinking Fund Debentures of Consolidated Halliwell Limited and accrued interest thereon aggregating $670,920 and for the exchange of such Debentures by the holders thereof for an aggregate of 1,574,285 shares of the par value of $1 each of Consolidated Halliwell Limited. As a result of the transaction, Mogul Mines Limited became the owner of 1,462,972 shares of Consolidated Halliwell Limited. A statement of material facts has been filed with The Toronto Stock Exchange and the Ontario Securities Commission whereby Mogul Mines Limited and K. & G. Holdings Limited intend to offer for sale, as selling shareholders, an aggregate of 1,473,662 shares of Consolidated Halliwell Limited on an open market distribution basis over a period of time through the facilities of The Toronto Stock Exchange. Mogul Mines Limited entered into agreements with Yale Lead & Zinc Mines Limited and Canadian Dyno Mines Limited (two of the amalgamating companies) whereby the said Debentures of Consolidated Halliwell Limited theretofore owned by them and accrued interest thereon were exchanged for promissory notes of Mogul Mines Limited due May 31, 1970 bearing interest at the rate of 6½% per annum from April 1, 1968 to the date of maturity in respect of a principal amount equal to the principal amount of Debentures exchanged and non-interest bearing in respect of a principal amount equal to the amount of accrued interest on the Debentures up to March 31, 1968. The effect of the proposed amalgamation will be to eliminate indebtedness of Mogul Mines Limited represented by the said promissory notes aggregating $1,467,491. Similar agreements were entered into between Mogul Mines Limited and two other companies holding Debentures of Consolidated Halliwell Limited under which additional promissory notes of Mogul Mines Limited, having similar attributes, were issued in the aggregate principal amount of $255,109. All of the foregoing Debentures of Consolidated Halliwell Limited exchanged for promissory notes of Mogul Mines Limited had been unconditionally guaranteed as to principal and interest by Mogul Mines Limited.

2. An agreement dated as of September 30, 1965, amended by an agreement dated as of February 15, 1968, made between Evan T. Donaldson ("Donaldson"), Evandon Explorations & Holdings Limited ("Evandon"), Canadian Dyno Mines Limited ("Dyno") (one of the amalgamating companies) and Falconbridge Nickel Mines Limited ("Falconbridge") whereby, among other things, (i) Donaldson, Evandon and Dyno give to Falconbridge a right of first refusal to purchase from each of them any shares of New Quebec Raglan Mines Limited ("Raglan") which they hold on terms and conditions therein set out; (ii) Falconbridge gives to Evandon and Dyno a right of first refusal to purchase certain of the shares of Raglan owned by Falconbridge on terms and conditions therein set out; (iii) Falconbridge agrees that, subject to each of Evandon and Dyno continuing to be the registered holders (either directly or through subsidiaries) of at least 200,000 shares of Raglan, each of Evandon and Dyno shall be entitled to a representative on the board of directors of Raglan; (iv) Falconbridge, on the one hand, and Evandon and Dyno (so long as they both are then entitled to representation on the board of directors of Raglan), on the other hand, have certain rights respectively to cause Raglan to bring into production at a certain minimum rate Raglan's property in Ungava, New Quebec, referred to under the subheading "Investment in New Quebec Raglan Mines Limited" under the heading "Business and Property" set out above; and (v) the parties agree that under certain circumstances, any mineral exploration licence, operating licence, lease, mining claim or any interest therein in the said area of New Quebec in which Raglan holds mineral exploration licences acquired by any of such parties shall forthwith be offered to Raglan at cost.

3. Agreement dated November 29, 1965 made between Mogul Mines Limited (one of the amalgamating companies) and Mogul of Ireland Limited whereby, in effect, Mogul Mines Limited agreed to provide technical, advisory and consulting services to Mogul of Ireland Limited in connection with all exploration, development, mining, milling and production activities which may be undertaken by Mogul of Ireland Limited in respect of the Silvermines property in consideration of the payment of the sterling equivalent of $10,000 per month, the said agreement having been assigned by Mogul Mines Limited to M.E.M. Consultants Limited (a wholly-owned subsidiary of Mogul Mines Limited), such assignment not relieving Mogul Mines Limited from its responsibilities, liabilities, obligations or duties arising thereunder. The agreement continues until terminated by either party on six months' notice in writing.

4. Agreement dated as of October 1, 1965 made between Mogul Mines Limited (one of the amalgamating companies), Burns Bros. and Denton Limited, Erzgesellschaft m.b.H, Société Minière et Métallurgique de Penarroya, S.A., Bergmetall G.m.b.H, Tennant Securities Limited and Midland & International Banks Limited whereby, in effect, Mogul Mines Limited agreed that so long as any of the First Mortgage Bonds of Mogul of Ireland Limited remain outstanding, Mogul Mines Limited shall vote all shares owned by it in the capital of Mogul of Ireland Limited in such manner that the board of directors of Mogul of Ireland Limited shall not consist of more than 18 persons and for the election of directors of Mogul of Ireland Limited of 4 persons nominated by Burns Bros. and Denton Limited, one person nominated by Tennant Securities Limited, one person nominated by each of Erzgesellschaft m.b.H, Société Minière et Métallurgique de Penarroya S.A., Bergmetall G.m.b.H and 2 persons nominated by Midland & International Banks Limited. By the said agreement Mogul Mines Limited agreed not to sell or otherwise dispose of any shares in the capital stock of Mogul of Ireland Limited owned by it if, after such sale or other disposition, Mogul Mines Limited would no longer be in a position, through the ownership of shares in the capital stock of Mogul of Ireland Limited, to cast, under all circumstances, a majority of the votes for an election of directors at a meeting of Mogul of Ireland Limited. Reference is made to the material under the subheading "Markets" under the heading "Business and Property" above.

5. By an agreement dated May 22, 1968 Canadian Dyno Mines Limited (one of the amalgamating companies) guaranteed to a Canadian chartered bank a loan to Lorado Uranium Mines Limited (one of the amalgamating companies) in the amount of $500,000 and in connection therewith pledged marketable securities having a market value at August 31, 1968 of $6,015,000 and 1,890,000 15/- par value shares of The Grand Bahama Development Company, Limited as collateral in connection with the guarantee. The latter shares were pledged to Canadian Dyno Mines Limited as security for a note receivable from Lorado Uranium Mines Limited subject to the prior security to the bank under the said guarantee. As a result of the amalgamation, such guarantee and note receivable are eliminated. During the previous four years Canadian Dyno Mines Limited gave similar guarantees in respect of various substantial bank loans to Lorado Uranium Mines Limited and in consideration for the giving of such guarantees received an aggregate of 60,000 15/- par value shares of The Grand Bahama Development Company, Limited.

FINANCIAL STATEMENTS

The following financial statements form part of this circular:

1. Consolidated financial statements of Mogul Mines Limited (one of the amalgamating companies) and its consolidated subsidiaries as at August 31, 1968, consisting of consolidated balance sheet, combined statement of income, combined statement of deficit, consolidated statement of contributed surplus, consolidated statement of preproduction expenditures and consolidated statement of deferred exploration and development expenditures, reported upon by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.

2. Financial statements of Canadian Dyno Mines Limited (one of the amalgamating companies) as at August 31, 1968, consisting of balance sheet, statement of income, statement of retained earnings (deficit) and statement of deferred exploration expenditures, reported upon by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.

3. Consolidated financial statements of Lorado Uranium Mines Limited (one of the amalgamating companies) and its consolidated subsidiary as at August 31, 1968 consisting of consolidated balance sheet, consolidated statement of expenses and consolidated statement of retained earnings, reported upon by Glendinning, Jarrett, Gould & Co., Chartered Accountants.

4. Financial statements of Yale Lead & Zinc Mines Limited (one of the amalgamating companies) as at August 31, 1968 consisting of balance sheet, statement of income, statement of retained earnings (deficit) and statement of deferred exploration expenditures, reported upon by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.

5. Pro forma consolidated balance sheet as at August 31, 1968 of International Mogul Mines Limited (the amalgamated company), reported upon by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.

MOGUL MINES LIMITED

one of the amalgamating companies

(Incorporated under the laws of Ontario)

and its consolidated subsidiaries

Consolidated Balance Sheet

August 31, 1968

ASSETS

CURRENT ASSETS		
Cash	$ 837,740	
Accounts receivable	1,449,775	
Receivable from subsidiaries not consolidated	3,890	
Project funds held by trustee (note 2)	697,452	
Income tax deposit recoverable (note 3)	159,375	
Concentrates on hand and in process of settlement, at estimated net realizable value	526,429	
Inventory of supplies, at cost	523,141	
Prepaid expenses and deposits	75,345	$ 4,273,147
PORT DUES DEPOSIT (note 4)		214,433
INVESTMENTS (note 5)		
Subsidiaries not consolidated (note 6)	2,746,579	
Mining and other companies (note 7)		
Shares	494,926	
Debentures	877,303	4,118,808
FIXED ASSETS		
In Ireland, Silvermines property		
Mineral leases and rights (note 8)	1,805,747	
Land, buildings, plant and equipment, at cost	9,249,730	
In Canada		
Buildings and equipment, at cost less proceeds from disposals	217,187	11,272,664
MINING CLAIMS AND RIGHTS		
Cost	107,740	
Deferred exploration and development expenditures thereon	759,028	866,768
DEFERRED CHARGES		
Preproduction expenditures in Ireland	6,851,198	
Discount on First Mortgage Bonds, Series A (note 2)	1,567,000	
Other	204,868	8,623,066
EXCESS OF COST OF SHARES OF SUBSIDIARY		
Mogul of Ireland Limited, over book value on acquisition (note 1)		83,841
		$29,452,727

MOGUL MINES LIMITED

one of the amalgamating companies

(Incorporated under the laws of Ontario)

and its consolidated subsidiaries

Consolidated Balance Sheet

August 31, 1968

LIABILITIES (note 9)

CURRENT LIABILITIES		
Accounts payable and accrued liabilities		$ 1,386,701
LONG-TERM LIABILITIES		
Notes payable (note 7)		
Subsidiary not consolidated	$ 813,923	
Other	908,677	
	1,722,600	
First Mortgage Bonds (note 2)		
7% Series A	7,000,000	
6¾% Series B (U.S. $6,500,000)	7,017,899	
6¾% Series C (U.S. $1,000,000)	1,075,038	
6¾% Series D (U.S. $4,000,000)	4,312,665	
	$19,405,602	21,128,202
MINORITY INTEREST in Mogul of Ireland Limited (note 1)		376,875

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 10)		
Authorized—15,000,000 shares without par value		
Issued — 7,543,246 shares	7,572,446	
CONTRIBUTED SURPLUS, less deficit applied		
December 31, 1965	391,764	
	7,964,210	
DEFICIT	$ 1,403,261	6,560,949
CONTINGENT LIABILITY (note 11)		
		$29,452,727

Approved by the Board

(Sgd.) D. W. KNIGHT, Director

(Sgd.) R. D. BELL, Director

MOGUL MINES LIMITED

and its consolidated subsidiaries

Combined Statement of Income

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Income						
Income from investments......	$ 94,415	$ 106,315	$ 98,768	$ 87,805	$ 102,785	$ 105,738
Consulting fees...............	103,494	160,616	161,254	162,549		
Management fees............	83,072	141,075	151,500	178,300	186,995	181,974
	$ 280,981	$ 408,006	$ 411,522	$ 428,654	$ 289,780	$ 287,712
Expenses						
Cost of consulting services.....	$ 77,772	$ 159,478	$ 141,872	$ 151,765	$ 9,723	$ 3,102
Executive salaries............	82,050	103,367	96,125	77,377	56,900	55,650
Financial expenses...........	3,000	6,817				
Interest.....................	38,400			35,308	20,928	35,666
General exploration..........	22,607	51,881	62,385	61,813	45,880	8,303
Legal and audit.............	30,630	22,042	18,423	34,803	25,417	9,418
Office salaries, supplies and rent.	91,742	134,354	129,380	123,603	127,205	106,878
Shareholders' information.....	31,058	28,205	37,476	15,401	15,438	11,906
Other......................	16,112	12,423	7,046	7,543	10,728	6,584
	$ 393,371	$ 518,567	$ 492,707	$ 507,613	$ 312,219	$ 237,507
Loss (net income) before income taxes................	112,390	110,561	81,185	78,959	22,439	(50,205)
Income taxes of consolidated subsidiaries..................	4,046	19,050	21,748	37,271	31,610	28,260
Loss (net income) for period.....	$ 116,436	$ 129,611	$ 102,933	$ 116,230	$ 54,049	$ (21,945)

MOGUL MINES LIMITED

and its consolidated subsidiaries

Combined Statement of Deficit

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Deficit (retained earnings) at beginning of period	$2,405,589	$ 258,635	$ (2,000)	$4,565,312	$4,430,448	$4,333,270
Add						
Loss (net income) for period	116,436	129,611	102,933	116,230	54,049	(21,945)
Mining claims abandoned						
Cost	9,000	3,000	29,121	590	650	5,511
Exploration expenditures	8,134		83,774	9,023		
Investments written down		1,100,591		3,183,407		22,501
Advances written off	5,150	2,601	3,600	142,754		
Net loss on guarantees		1,300,000	46,439			
Fixed assets written off					33,665	
Tax withheld on inter company interest				43,694		
Intangible assets written off				422		9,999
Dividends paid by a subsidiary prior to acquisition January 1, 1968		39,000	36,500	52,000	46,500	35,000
	$2,544,309	$2,833,438	$ 300,367	$8,113,432	$4,565,312	$4,384,336
Deduct						
Profit (loss) on disposal of investments	1,141,048	427,849	41,732			(46,112)
Balance applied to contributed surplus				8,115,432		
Deficit (retained earnings) at end of period	$1,403,261	$2,405,589	$ 258,635	$ (2,000)	$4,565,312	$4,430,448

Consolidated Statement of Contributed Surplus

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Contributed surplus at beginning of period	$ 391,764	$ 391,764	$ 391,764	$7,894,096	$6,130,996	$5,542,896
Add premium on shares issued during period				613,100	1,763,100	588,100
				8,507,196		
Deduct balance of deficit applied				8,115,432		
Contributed surplus at end of period	$ 391,764	$ 391,764	$ 391,764	$ 391,764	$7,894,096	$6,130,996

MOGUL MINES LIMITED

and its consolidated subsidiaries

Consolidated Statement of Preproduction Expenditures

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Exploration				$ 79,328	$ 347,038	
Metallurgical investigation	$ 5,998	$ 9,333	$ 12,196	37,905	56,347	
Plant design	93,121	281,662	422,594	266,448	82,602	
Development	841,945	1,243,752	498,461	247,064	16,990	
Mining	221,840	1,982				
Milling	384,968					
Administration and general	384,472	447,933	356,032	175,880	75,031	
Interest on first mortgage bonds	724,647	479,351				
	2,656,991	2,464,013	1,289,283	806,625	578,008	
Less production	943,722					
Net expenditures for period	1,713,269	2,464,013	1,289,283	806,625	578,008	
Balance deferred at beginning of period	5,137,929	2,673,916	1,384,633	578,008		
Balance deferred at end of period	$6,851,198	$5,137,929	$2,673,916	$1,384,633	$ 578,008	Nil

Consolidated Statement of Deferred Exploration and Development Expenditures

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Consultants' fees and expenses			$ 8,754	$ 2,650		$ 2,469
Drilling			32,124			16,757
Field expenses	$ 183	$ 3,961	3,034	1,416	$ 1,937	5,942
Government fees, licenses and taxes	140	2,334	6,326	7,586	11,256	1,318
Linecutting and survey				8,871	6,914	11,029
Loss on disposal of fixed assets						15,986
Transportation			2,121	511	292	
Wages and supervision	1,890	4,086	9,353	3,385	2,770	11,976
Expenditures for period	2,213	10,381	61,712	24,419	23,169	65,477
Balance deferred at beginning of period	764,949	754,568	776,630	761,234	738,065	672,588
	767,162	764,949	838,342	785,653	761,234	738,065
Expenditures on mining claims abandoned, written off to deficit	8,134		83,774	9,023		
Balance deferred at end of period	$ 759,028	$ 764,949	$ 754,568	$ 776,630	$ 761,234	$ 738,065

MOGUL MINES LIMITED

and its consolidated subsidiaries

Notes to Consolidated and Combined Financial Statements

August 31, 1968

1. Basis of Consolidation and Combination

The accounts of Mogul of Ireland Limited and M.E.M. Consultants Limited and its wholly-owned subsidiary, Perry-Pattison Limited are consolidated or combined in these financial statements. For the five years ended December 31, 1967 the accounts of Perry-Pattison Limited, which subsidiary was not acquired until January, 1968, have been included in the combined statements of income and deficit.

Mogul of Ireland Limited

Pursuant to the terms of an agreement with Silvermines Limited, Mogul of Ireland acquired the rights in and to and to operate the mining property at Silvermines, County Tipperary, Ireland.

The investment in Mogul of Ireland, representing a 75% interest in the authorized and issued shares of that company, is carried on the books of the company at a cost of $1,214,466 which exceeds book value by $83,841.

The accounts of Mogul of Ireland are recorded in Sterling, which currency was devalued on November 18, 1967. On the accompanying financial statements the sterling accounts have been converted as set out below except in those cases where actual known dollar amounts are applicable to particular transactions.

(1) Fixed assets acquired pre-devaluation have been converted at a rate of Cdn $3.015 to £1, and those acquired post-devaluation at a rate of Cdn $2.57 to £1.

(2) Current assets and current liabilities have been converted at Cdn $2.562 to £1, the prevailing rate at August 31, 1968.

(3) The Port dues deposit has been converted at Cdn $2.57 to £1.

(4) Mineral leases and rights have been converted at Cdn $3.015 to £1.

(5) Preproduction expenditures incurred pre-devaluation have been converted at Cdn $3.015 to £1 and post-devaluation expenditures at Cdn $2.57 to £1.

(6) The First Mortgage Bonds are recorded at net proceeds in terms of Canadian dollars at time of issue.

(7) Capital stock has been converted at Cdn $3.015 to £1.

2. Financing of Mogul of Ireland Limited

Authorized

The details of the financing of Mogul of Ireland authorized under the terms of the Trust Deed are as follows:

(a) Cdn $7,000,000 principal amount of 7% First Mortgage Bonds, Series A, due September 1, 1975, interest accruing from March 1, 1968.

(b) U.S. $6,500,000 principal amount of 6¾% First Mortgage Bonds, Series B, due September 1, 1973, interest accruing from date of issue.

(c) U.S. $1,000,000 principal amount of 6¾% First Mortgage Bonds, Series C, due September 1, 1973, interest accruing from date of issue.

(d) U.S. $6,500,000 principal amount of 6¾% First Mortgage Bonds, Series D, due September 1, 1971, interest accruing from date of issue. A standby fee of 1% per annum is payable by Mogul of Ireland computed from August 1, 1965 on the principal amount of Series D bonds authorized but not yet issued.

(e) Cdn $1,000,000 principal amount, 6% note payable to Mogul Mines Limited, interest accruing from November 29, 1965. No payment on account of principal or interest on this note is to be made until all First Mortgage Bonds have been retired.

All Bonds are and will be secured by a first fixed and specific mortgage and charge on all the real and immovable property of Mogul of Ireland and all buildings and fixed plant, machinery and equipment constructed or acquired by it as part of the development program of the Silvermines property, together with all monies and securities from time to time forming part of the project funds (see below) and all contracts entered into for the sale of concentrates; also by a first floating charge on the undertaking and all other property and assets of Mogul of Ireland, both present and future.

Mogul of Ireland is required under the terms of the Trust Deed securing the Bonds to establish a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1969 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is

MOGUL MINES LIMITED

and its consolidated subsidiaries

Notes to Consolidated and Combined Financial Statements (Continued)

August 31, 1968

2. Financing of Mogul of Ireland Limited (Cont'd)

required to pay certain specific minimum amounts into the retirement fund on or before September 1, in each of the years 1970 to 1974 inclusive, sufficient to redeem principal amounts of Bonds as follows:

By September 1, 1970—U.S. $ 3,900,000
By September 1, 1971—U.S. $ 6,500,000
By September 1, 1972—U.S. $11,000,000
By September 1, 1973—U.S. $14,000,000
By September 1, 1974—U.S. $14,000,000 and Cdn $3,500,000

less in each case the difference between the principal amount of Series D Bonds issued and their authorized amount of U.S. $6,500,000.

Issued and Outstanding

All of the authorized First Mortgage Bonds and the note have been issued except for the Series D Bonds of which U.S. $4,000,000 has been issued to August 31, 1968. Subsequent to August 31, 1968 an additional U.S. $500,000 (Cdn $534,188) principal amount Series D has been issued. The Series A Bonds were issued at a discount of $1,567,000. The Series B Bonds and the Series C Bonds were issued at par and the Series D Bonds have been or will be issued at par.

Project Funds Held by Trustee

Proceeds from the issue of the First Mortgage Bonds are deposited with the trustee in a project fund. The monies in this fund become available to the company from time to time upon presentation to the trustee of certificates of expenditures incurred on the development program of the Silvermines property.

Any monies and/or securities remaining in the project fund, after the earlier of March 1, 1969 or the date on which the trustee shall have received a certificate to the effect that all costs and expenses incurred in the development program have been paid in full, shall be applied to the redemption of Series D Bonds.

3. Income Tax Deposit Recoverable

As a result of the Supreme Court of Canada's decision in favour of the company subsequent to August 31, 1968, the amount of $125,000 deposited in 1964 with the Receiver General of Canada in connection with income tax assessments for the years 1957 to 1960 inclusive is recoverable with accrued interest.

4. Port Dues Deposit

Mogul of Ireland has on deposit $214,433 (£83,437) with the Foynes Harbour Trustees. The deposit is recoverable over a period of ten years from the date of the first shipment of concentrates at the rate of 1 shilling (13¢ Cdn) per ton of concentrates exported through the port to a maximum of 1,680,000 tons. Should exports over the ten year period be below this figure the balance of the deposit is forfeited.

5. Investments

Investments in shares, including subsidiaries not consolidated, have been valued and recorded at the lower of cost less proceeds from disposals and quoted market values as at December 31, 1965. Shares without quoted market value are at cost less proceeds from disposals or at nominal value. Investments acquired subsequent to December 31, 1965 are valued and recorded at cost.

6. Subsidiaries Not Consolidated

Investments in other subsidiaries not consolidated are as follows:

	Net book value	Quoted market value	Minority interest
Canadian Dyno Mines Limited	$1,988,344	$5,877,517	29%
Irish Copper Mines Limited	664,923	472,834	47%
Others, including advances of $79,574	93,312		Various
	$2,746,579	$6,350,351	

The accounts of Canadian Dyno Mines Limited have not been consolidated herein because the company forms part of the amalgamating group of companies whose financial statements appear elsewhere in this circular.

Because of the large blocks of shares held, the quoted market values for shares of Canadian Dyno and Irish Copper are not necessarily indicative of amounts that might be realized if these investments were to be sold.

MOGUL MINES LIMITED

and its consolidated subsidiaries

Notes to Consolidated and Combined Financial Statements (Continued)

August 31, 1968

6. Subsidiaries Not Consolidated (Cont'd)

The company's share of earnings of Canadian Dyno for the year ended July 31, 1968, amounted to approximately $5,300 and its share of the net write down of investments charged to deficit amounted to approximately $212,000. Earnings of Canadian Dyno for the current and prior years attributable to the shares held by the company aggregate approximately $671,000.

The investment in Irish Copper is recorded at its quoted market value at December 31, 1965. Because of the substantial minority interest in this company, its accounts have not been consolidated. Other subsidiaries are inactive or in their initial development stages, and their shares are without quoted market value.

7. Investments in Mining and Other Companies

Shares

The quoted market value of these investments as at August 31, 1968 was approximately $1,170,614.

Because in some instances large blocks of shares are held, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Debentures

These consist of $2,737,000 principal amount of Consolidated Halliwell Limited 6½% debentures, due May 31, 1970 and accrued interest thereon to March 31, 1968 of $587,936. Included in this amount is $1,418,000 principal amount with accrued interest of $304,600 representing debentures acquired from other companies and for which the company has issued notes in the aggregate amount of $1,722,600, of which $1,418,000 bears interest at 6½% per annum, and the remainder is interest free.

By agreement dated March 15, 1968, as amended, and subject to the acceptance by certain regulatory bodies (acceptance received subsequent to August 31, 1968) the Company has agreed to accept 1,462,972 shares of Consolidated Halliwell Limited in full settlement of the Debentures and interest accrued to March 31, 1968. As at August 31, 1968 the market value of these shares would have been $877,783 based on the quoted market value of Consolidated Halliwell shares on that date. In a statement of material facts filed with regulatory bodies, the Company has stated its intention to offer for sale these shares on an open market distribution basis through the facilities of The Toronto Stock Exchange over a period of time.

The approximate value of the shares of Consolidated Halliwell Limited at the date of the agreement was 60¢ per share. Based on this value, the company provided in 1967 for losses which may be realized on these shares.

8. Mineral Leases and Rights in Ireland

Mineral rights to the Silvermines property have been acquired in various parcels either by outright purchase or by lease and sub-lease from the State and others. Certain of the leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic of Ireland, comprising about 40% of the G Zone ore body, are leased for a term of 30 years subject to the payment of an annual royalty to the State based on that part of the profits from the Silvermines operation which the State-owned ore mined from the G Zone in each year bears to the total ore mined in such year, the rate of royalty varying from 4% on the first £350,000 on such part of the profits to a maximum of 10% thereof in excess of £1,750,000, subject to a minimum royalty of £2,500 per year.

9. Liabilities of Subsidiaries

Mogul Mines Limited has no liability by way of guarantee or otherwise for any liabilities of Mogul of Ireland Limited or any other subsidiary.

10. Capital Stock

As at August 31, 1968 an employee of Mogul of Ireland Limited held an option to purchase an aggregate of 10,000 shares of Mogul Mines Limited at the price of $3 per share exercisable as to 5,000 shares by August 1, 1969 and as to 5,000 shares in the year ended August 1, 1970. During the eight months ended August 31, 1968 5,000 shares were issued under this option.

11. Contingent Liability

Pursuant to the option agreement dated October 8, 1962 with Silvermines Limited, the company has agreed to pay to Silvermines 25% of any excess of the effective rate of interest paid by Mogul of Ireland for the senior financing over 8% per annum. The effective rate is to be calculated upon redemption of all First Mortgage Bonds and the promissory note (note 2).

12. Reclassification of Expenditures

Certain expenditures have been reclassified to give retroactive effect to the company's current accounting practice. In 1965 the consolidated deficit of the companies was eliminated by transfer to contributed surplus. These financial statements reflect the transfer on a revised basis after giving effect to these reclassifications.

MOGUL MINES LIMITED

and its consolidated subsidiaries

Auditors' Report

To the Shareholders of
MOGUL MINES LIMITED,

We have examined the consolidated balance sheet of Mogul Mines Limited and its consolidated subsidiaries as at August 31, 1968 and the combined statements of income and deficit and the consolidated statements of contributed surplus, preproduction expenditures and deferred exploration and development expenditures for the five years and eight months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at August 31, 1968 and the results of their consolidated and combined operations for the five years and eight months then ended in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

Toronto, Canada
October 31, 1968

(Sgd.) THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

CANADIAN DYNO MINES LIMITED

one of the amalgamating companies

(Incorporated under the laws of Ontario)

Balance Sheet

August 31, 1968

ASSETS

CURRENT ASSETS		
Cash	$ 13,570	
Accounts receivable	23,977	
Accrued interest receivable	18,150	
Demand note receivable and accrued interest (note 4)	646,226	$ 701,923
DEPOSIT ON INCOME TAXES UNDER APPEAL (note 1)		110,496
INVESTMENTS		
Subsidiaries (note 2)	4	
Mining and other companies (note 3)	3,847,225	3,847,229
MINING CLAIMS		
Cost	151,166	
Deferred exploration expenditures thereon	170,153	321,319
		$4,980,967

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 69,955	
Loan payable	566,355	$ 636,310

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized—3,000,000 shares par value $1 each		
Issued —2,861,000 shares	2,861,000	
CONTRIBUTED SURPLUS	2,028,168	
	4,889,168	
DEFICIT	544,511	4,344,657
CONTINGENT LIABILITY (note 4)		
		$4,980,967

Approved by the Board

(Sgd.) S. A. PERRY, Director

(Sgd.) G. D. PATTISON, Director

CANADIAN DYNO MINES LIMITED

Statement of Income

	Month ended August 31, 1968	Year ended July 31, 1968	1967	1966	1965	1964
Income from investments	$ 6,969	$ 85,468	$ 116,459	$116,205	$117,029	$126,282
Expenses						
General exploration						
Consulting fees and expenses	1,000	12,450	15,600	4,075	1,675	2,274
Grubstake		3,587	500	1,359	32,106	70,250
Other	128	216	14,073	441	1,352	651
	1,128	16,253	30,173	5,875	35,133	73,175
Administration						
Executive salaries and administration	834	18,465	21,120	38,400	41,400	41,400
Legal and audit	100	3,692	3,176	21,073	3,754	3,816
Shareholders' information		3,144	7,414	1,859	1,909	1,488
Interest	4,059	32,734	18,399			
Other	160	3,748	6,345	9,451	8,580	8,251
	5,153	61,783	56,454	70,783	55,643	54,955
	6,281	78,036	86,627	76,658	90,776	128,130
Net income (loss) for period (note 1)	$ 688	$ 7,432	$ 29,832	$ 39,547	$ 26,253	$ (1,848)

Statement of Retained Earnings (Deficit)

	Month ended August 31, 1968	Year ended July 31, 1968	1967	1966	1965	1964
Retained earnings (deficit) at beginning of period	$(545,199)	$(254,029)	$ 482,288	$421,180	$397,327	$538,873
Add						
Net income (loss) for period	688	7,432	29,832	39,547	26,253	(1,848)
Profit (loss) on sale of investments		37,100	45,617	27,143	(2,400)	91,251
Recovery of prior years' losses of subsidiary company		3,000	2,000	6,000		
	(544,511)	(206,497)	559,737	493,870	421,180	628,276
Deduct						
Mining claims abandoned						
Cost				3,600		211,750
Exploration expenditures				7,982		17,096
Investments and advances written down						
Subsidiary companies		249,540	807,506			250
Mining and other companies		89,162	6,260			1,853
		338,702	813,766	11,582		230,949
Retained earnings (deficit) at end of period	$(544,511)	$(545,199)	$(254,029)	$482,288	$421,180	$397,327

CANADIAN DYNO MINES LIMITED

Statement of Deferred Exploration Expenditures

	Month ended August 31, 1968	Year ended July 31, 1968	1967	1966	1965	1964
Consulting fees	$ 550	$ 4,900	$ 2,050			$ 3,496
Drilling	4,154	4,053				
Engineering fees	45	6,688				
Field expenses	2,817	11,151	5,968			507
Linecutting and survey		7,823	16,617			3,979
Transportation	129	1,661	139			
Expenditures for period	7,695	36,276	24,774			7,982
Balance deferred at beginning of period	162,458	136,405	111,631	$119,613	$119,613	128,727
	170,153	172,681	136,405	119,613	119,613	136,709
Deduct						
Expenditures						
Recovered		10,223				
On claims abandoned, written off				7,982		17,096
Balance deferred at end of period	$ 170,153	$ 162,458	$ 136,405	$111,631	$119,613	$119,613

CANADIAN DYNO MINES LIMITED

Notes to Financial Statements

August 31, 1968

1. Deposit on Income Taxes Under Appeal

The company's objection to assessments totalling approximately $725,000 for the years 1961 to 1963 inclusive were upheld in part by a decision of the Tax Appeal Board dated March 31, 1966. The Minister of National Revenue has appealed this decision to the Exchequer Court and the recoverability of the amount of $110,496 held on deposit by the Receiver General of Canada in connection therewith depends on the results of this appeal which has not yet been heard. The company has pledged 600,000 shares of New Quebec Raglan Mines Limited having a market value at August 31, 1968 of $5,850,000 to the Receiver General of Canada as security.

The company has filed notices of objections to assessments totalling approximately $235,000 for the years 1964 to 1966 inclusive.

Pending settlement of these appeals and objections, the company takes the position that no provision for income taxes is required for the five years and one month ended August 31, 1968 on the assumption that its appeals will be allowed and available allowances for tax purposes will eliminate taxes otherwise payable.

2. Investment in Subsidiaries

Investments in and advances to subsidiaries are carried at nominal value. Three of these companies are inactive and the fourth, Canadian Vendbar Industries Limited, has not operated profitably to date. The company's share of the loss of Canadian Vendbar for the year ended June 30, 1968 was approximately $241,000 and its share of the write off to deficit of intangible assets was approximately $14,000. Losses of Canadian Vendbar for the current and prior years attributable to these shares held by the company aggregate approximately $632,000. The company has written off investments in and advances to Canadian Vendbar Industries Limited in the aggregate amount of $1,053,526.

Because the nature of Canadian Vendbar's business is entirely different from that of the company, its accounts have not been consolidated herein.

3. Investment in Mining and Other Companies

Marketable securities	$3,029,945
Notes receivable	813,923
Advances	3,357
	$3,847,225

Marketable Securities

These shares are valued at cost less proceeds of disposals or at written down value and had a quoted market value of approximately $15,215,000 at August 31, 1968. Because in some instances large blocks of shares are held, market values are not necessarily indicative of amounts that might be realized if the investments were to be sold.

Investments having a market value of $11,865,000 have been pledged in support of the contingent and other liabilities (see notes 1 and 4).

Notes Receivable

The company held 6½% debentures of Consolidated Halliwell Limited (No Personal Liability) due May 31, 1970 in the principal amount of $670,000 and interest accrued and unpaid thereon at March 31, 1968 of $143,923. Principal and interest on the debentures were guaranteed by Mogul Mines Limited. By agreement with Mogul Mines Limited dated March 15, 1968, the company exchanged the debentures for notes of Mogul Mines as follows: $670,000 6½% note due May 31, 1970 and $143,923 non-interest bearing note due May 31, 1970.

4. Contingent Liability

The company is contingently liable for $500,000 under a guarantee of a bank loan to Lorado Uranium Mines Limited. The company has pledged marketable securities having a market value at August 31, 1968 of $6,015,000 and 1,890,000 15/- shares of The Grand Bahama Development Company, Limited as collateral in connection with the guarantee. The latter shares are pledged to the company to secure a note receivable from Lorado, subject to the prior security to the bank under the guarantee referred to in the preceding sentence.

5. Reclassification of Expenditures

Certain expenditures have been reclassified to give retroactive effect to the company's current accounting practice.

CANADIAN DYNO MINES LIMITED

Auditors' Report

To the Shareholders of
CANADIAN DYNO MINES LIMITED

We have examined the balance sheet of Canadian Dyno Mines Limited as at August 31, 1968 and the statements of income, retained earnings (deficit) and deferred exploration expenditures for the five years and one month then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the five years and one month then ended, in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

Toronto, Canada
October 31, 1968

(Sgd.) THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

LORADO URANIUM MINES LIMITED

one of the amalgamating companies

(Incorporated under the laws of Ontario)
and its consolidated subsidiary

Consolidated Balance Sheet

August 31, 1968

ASSETS		
CURRENT ASSETS		
Cash	$ 10,021	
Accounts receivable	3,230	
Prepaid expenses	5,420	$ 18,671
INVESTMENTS		
1,890,000 shares, par value 15/- each, The Grand Bahama Development Company, Limited—at cost (notes 2 and 3)	$ 4,893,858	
Debentures of the Municipality of Uranium City—at cost	13,974	
Shares in other mining companies—at less than cost (quoted market value—$1,396)	5,119	4,912,951
OTHER ASSETS		
Mining properties—at cost (note 4)	$ 153,087	
Buildings, machinery, equipment and mine supplies (note 5)	500,000	653,087
		$ 5,584,709
LIABILITIES		
CURRENT LIABILITIES		
Bank loan (note 2)	$ 500,000	
Demand note payable, plus accrued interest (note 2)	646,226	
Accounts payable and accrued liabilities	17,978	$ 1,164,204
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—7,000,000 shares of par value $1 each		
Issued—6,394,390 shares	$ 6,394,390	
Less: Net discount thereon	2,140,000	
	4,254,390	
RETAINED EARNINGS	166,115	4,420,505
		$ 5,584,709

Approved by the Board

(Sgd.) HARLOW H. WRIGHT, Director

(Sgd.) S. A. PERRY, Director

LORADO URANIUM MINES LIMITED

and its consolidated subsidiary

Consolidated Statement of Expenses

for the five years and four months ended August 31, 1968

	Four months ended August 31	Year ended April 30,				
	1968	1968	1967	1966	1965	1964
Plant shut down, less sundry recoveries	$10,945	31,429	30,628	77,276	45,870	64,396
Interest	27,046	72,051	83,434	67,768	81,560	76,550
Executive salaries and administration	3,000	9,000	16,920	18,983	31,400	31,400
General exploration			3,288	582	2,672	3,381
Legal and audit	583	2,237	6,287	9,910	26,095	2,821
Office salaries and office expenses	263	903	2,026	14,393	25,743	25,927
Reports to shareholders	(3,001)	22,530	7,325	2,035	1,836	1,322
Other	1,525	6,864	5,209	3,819	6,627	18,819
	$40,361	145,014	155,117	194,766	221,803	224,616
Less: Investment income	257	963	5,441	8,944	32,257	19,457
Net expenses for the period	$40,104	144,051	149,676	185,822	189,546	205,159

Consolidated Statement of Retained Earnings

for the five years and four months ended August 31, 1968

	Four months ended August 31	Year ended April 30,				
	1968	1968	1967	1966	1965	1964
Deficit at beginning of period	$3,889,542	3,745,491	3,595,815	3,409,993	3,214,936	3,009,777
Add:						
Net expenses for the period	40,104	144,051	149,676	185,822	189,546	205,159
Mining claims written off					5,511	
Write down of buildings, machinery, equipment and mine supplies to estimated realizable value	7,983,123					
Mine development written off (note 5)	1,604,446					
	$13,517,215	3,889,542	3,745,491	3,595,815	3,409,993	3,214,936
Deduct:						
Capital surplus transferred to retained earnings (note 6)	13,683,330					
Retained Earnings (Deficit) at end of period	$ 166,115	(3,889,542)	(3,745,491)	(3,595,815)	(3,409,993)	(3,214,936)

LORADO URANIUM MINES LIMITED

and its consolidated subsidiary

Notes to Consolidated Financial Statements

August 31, 1968

1. Basis of Consolidation

The consolidated financial statements include the accounts of Lorado Uranium Mines Limited and those of its wholly-owned subsidiary, Lorado of Bahamas, Limited.

The accounts of the subsidiary which are expressed in U.S. dollars, have been translated into Canadian dollars at the rate of exchange prevailing at the date the parent company acquired its investment in the subsidiary.

2. Financing

The Company's wholly-owned subsidiary, Lorado of Bahamas, Limited owns 1,890,000 shares of The Grand Bahama Development Company, Limited at a cost of $2.50 (U.S. funds) per share. These shares have been hypothecated as collateral security to the Company's bankers in consideration for a loan of $500,000 by them to Lorado Uranium Mines Limited. This loan has been guaranteed by another mining company which has loaned to Lorado Uranium Mines Limited an amount of $646,226. Upon repayment of the bank loan Lorado Uranium Mines Limited is to deliver to this other mining company as consideration for the aforementioned loan the 1,890,000 shares of The Grand Bahama Development Company, Limited to be held as collateral security for the loan by that other mining company to Lorado Uranium Mines Limited.

3. Investment in The Grand Bahama Development Company, Limited

General

The Grand Bahama Development Company, Limited was organized under the laws of the Bahama Islands, principally to conduct the business of real estate sales and development for residential and resort purposes on Grand Bahama Island.

The investment in the above Company represents approximately 16.4% of its issued share capital as at October 31, 1967.

Operations

Net income of The Grand Bahama Development Company, Limited was U.S. $6,120,833 for the fiscal year ended October 31, 1967 (U.S. $6,771,438 in 1966) and its retained earnings at that date amounted to U.S. $17,397,209 (U.S. $11,276,376 in 1966). Information subsequent to October 31, 1967 is not available.

4. Mining Properties

The following assets are included herein:

21 leases south west of Beaverlodge Lake, Athabaska Mining District, Saskatchewan acquired at a cost of	$ 133,800
Land in Edmonton, Alberta acquired at a cost of	19,287
	$ 153,087

5. Buildings, Machinery, Equipment and Mine Supplies

The Company has not operated its mine for several years. Buildings, machinery, equipment and mine supplies which had a book value of $8,483,123 have been written down to an estimated realizable value of $500,000. In addition, the Company has written off the unamortized portion of its mine development amounting to $1,604,446.

6. Capital Surplus

In previous years, the Company carried on its accounts a capital surplus of $13,683,330 consisting of:

Settlement prior to April 30, 1963 for cancellation of uranium contract		$13,980,761
Less: Reductions in investment in The Grand Bahama Development Company, Limited		
Prior to April 30, 1963	$189,189	
Year ended April 30, 1965	54,055	
Year ended April 30, 1967	54,187	297,431
		$13,683,330

In the fiscal period commencing May 1, 1968 the Company has transferred the balance of this account to earnings retained for use in the business.

LORADO URANIUM MINES LIMITED

and its consolidated subsidiary

Auditors' Report

To the Shareholders,
LORADO URANIUM MINES LIMITED.

We have examined the consolidated balance sheet of Lorado Uranium Mines Limited and its consolidated subsidiary as at August 31, 1968 and the consolidated statements of expenses and retained earnings for the five years and four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We are unable to express an opinion as to the realizable value of the buildings, machinery, equipment and mine supplies.

In our opinion, subject to the foregoing comment, these consolidated financial statements present fairly the financial position of the Companies as at August 31, 1968 and the results of their operations for the five years and four months then ended, in accordance with generally accepted accounting principles applied on a consistent basis throughout the period except for the change in the basis of valuation of buildings, machinery, equipment and mine supplies outlined in note 5, in which we concur.

Toronto, Canada,
October 31, 1968.

(Sgd.) GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants

YALE LEAD & ZINC MINES LIMITED

one of the amalgamating companies

(Incorporated under the laws of Ontario)

Balance Sheet

August 31, 1968

ASSETS		
CURRENT ASSETS		
Cash	$ 7,043	
Accounts receivable	636	
Instalments due within one year on mortgage receivable	8,125	
Accrued interest receivable	15,791	
Prepaid expenses	112	$ 31,707
INVESTMENTS		
Mining companies (note 1)	694,659	
6% mortgage receivable, less instalments included in current assets	8,125	702,784
OTHER ASSETS		
Mining lands, claims, rights and option (note 2)	49,016	
Deferred exploration expenditures thereon	200,395	
Prepaid royalties (note 2)	30,000	279,411
		$1,013,902
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	14,317	
Loan payable, secured by pledge of investments	10,000	24,317
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—5,000,000 shares par value $1 each		
Issued —4,692,006 shares	4,692,006	
Less discount thereon	2,167,051	
	2,524,955	
DEFICIT	1,535,370	989,585
		$1,013,902

Approved by the Board

(Sgd.) G. D. PATTISON, Director

(Sgd.) J. P. BRISBOIS, Director

YALE LEAD & ZINC MINES LIMITED

Statement of Income

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Income						
Interest earned	$ 26,656	$ 38,308	$ 41,604	$ 45,635	$ 43,536	$ 42,784
Profit on sale of investments	21,520		8,728			
	48,176	38,308	50,332	45,635	43,536	42,784
Expenses						
Administration	7,250	11,500	9,400	12,300	12,300	12,350
General exploration		2,000	12,000	6,000	9,730	8,391
Legal and audit	1,655	1,993	912	1,017	752	809
Mine closedown		1,031	1,621	2,471	5,712	10,145
Shareholders' information	1,128	1,084	1,207	747	445	518
Other	1,664	2,537	2,047	2,593	1,503	1,815
	11,697	20,145	27,187	25,128	30,442	34,028
Net income for period (note 3)	$ 36,479	$ 18,163	$ 23,145	$ 20,507	$ 13,094	$ 8,756

Statement of Retained Earnings (Deficit)

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Retained earnings (deficit) at beginning of period	($1,580,099)	($1,590,698)	($1,613,843)	($1,611,138)	$ 123,272	$206,801
Add						
Net income for period	36,479	18,163	23,145	20,507	13,094	8,756
Proceeds from sale of assets previously written off						
Mining claims and options	8,000	2,100				
Equipment	250					
	($1,535,370)	($1,570,435)	($1,590,698)	($1,590,631)	136,366	215,557
Deduct						
Pre-operating expenses, written off						92,285
Investment in mining lands and rights at Ainsworth, British Columbia written down to nominal value					1,747,504	
Option on mining claims written off						
Cost				2,500		
Exploration expenditures				20,712		
Fixed assets written off		9,664				
		9,664		23,212	1,747,504	92,285
Retained earnings (deficit) at end of period	($1,535,370)	($1,580,099)	($1,590,698)	($1,613,843)	($1,611,138)	$123,272

YALE LEAD & ZINC MINES LIMITED

Statement of Deferred Exploration Expenditures

	Eight months ended August 31, 1968	Year ended December 31, 1967	1966	1965	1964	1963
Assays			$ 773	$ 542	$ 27	
Consulting fees	$ 10,868	$ 5,500		10,292	1,000	
Drilling	1,956		62,950	36,956		
Engineering fees		5,096	7,552	2,639	3,382	
Feasibility Study	21,500					
Field expenses	1,928	2,932	6,954	1,913	35	
Government fees and licenses	139	240	200	246		
Linecutting and survey	2,010	1,529			16,268	
Metallurgical investigation	8,678	2,490	7,300			
Transportation	1,081	1,130	3,330	1,280		
Expenditures for period	48,160	18,917	89,059	53,868	20,712	
Balance deferred at beginning of period	152,235	133,318	44,259	20,712		
	200,395	152,235	133,318	74,580	20,712	
Deduct expenditures						
Recovered				9,609		
On option, written off				20,712		
				30,321		
Balance deferred at end of period	$200,395	$152,235	$133,318	$ 44,259	$ 20,712	Nil

YALE LEAD & ZINC MINES LIMITED

Notes to Financial Statements

August 31, 1968

1. Investments in Mining Companies

Marketable securities, at cost (quoted market value August 31, 1968 $42,200)	$ 41,091
Notes receivable (see below)	653,568
	$694,659

The company held 6½% debentures of Consolidated Halliwell Limited due May 31, 1970 in the principal amount of $538,000 and interest accrued and unpaid thereon at March 31, 1968 of $115,568. Principal and interest on the debentures were guaranteed by Mogul Mines Limited. By agreement with Mogul Mines dated March 15, 1968, the company exchanged the debentures for notes of Mogul Mines as follows: $538,000 6½% note due May 31, 1970 and $115,568 non-interest bearing note due May 31, 1970.

2. Mining Lands, Claims, Rights and Option

By an agreement dated September 23, 1965 the company acquired an option on the rights to explore, develop and mine all barium and flourine compounds in 107 mining claims in the County of Inverness, Nova Scotia. In addition thereto certain surface rights were acquired for related operations. To fully exercise the option the company must:

(1) cause a new company (with an authorized capital of 3,000,000 shares) to be incorporated for the purpose of acquiring the rights under this agreement, and issue to one of the optionors 287,500 shares in the capital of such new company;

(2) undertake to pay a production royalty of 50¢ per ton on all barite and fluorite concentrates, pellets or other products removed and sold from the property and pay a royalty of 5% of net smelter returns. In 1966, the company prepaid royalties of $30,000 on the first 24 months of commercial production of compounds from the property. The company owns a further 28 mining claims in the County of Inverness contiguous with the 107 mining claims above referred to.

3. Income Taxes

No provision for income taxes is required for the five years and eight months ended August 31, 1968 because of the application of available allowances to eliminate taxes otherwise payable.

4. Reclassification of Expenditures

Certain expenditures have been reclassified to give retroactive effect to the company's current accounting practice.

YALE LEAD & ZINC MINES LIMITED

Auditors' Report

To the Shareholders of
Yale Lead & Zinc Mines Limited

We have examined the balance sheet of Yale Lead & Zinc Mines Limited as at August 31, 1968 and the statements of income, retained earnings (deficit) and deferred exploration expenditures for the five years and eight months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the five years and eight months then ended, in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

Toronto, Canada
October 31, 1968

(Sgd.) Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

INTERNATIONAL MOGUL MINES LIMITED
THE AMALGAMATED COMPANY

Pro Forma Consolidated Balance Sheet
August 31, 1968

ASSETS

CURRENT ASSETS		
Cash	$ 747,724	
Accounts receivable	1,441,797	
Project funds held by trustee	697,452	
Income tax deposit recoverable	159,375	
Concentrates on hand and in process of settlement	526,429	
Inventory of supplies	523,141	
Prepaid expenses and deposits	80,877	$ 4,176,795
DEPOSITS		
Income taxes under appeal	110,496	
Port dues	214,433	324,929
INVESTMENTS (note 4)		
Subsidiaries not consolidated	780,102	
Shares of mining and other companies		
The Grand Bahama Development Company, Limited (no quoted market value)	4,893,858	
Other (quoted market value $14,897,216)	2,744,295	8,418,255
FIXED ASSETS		
In Ireland, Silvermines property		
Mineral leases and rights	1,805,747	
Land, buildings, plant and equipment	9,249,730	
In Canada		
Buildings, machinery and equipment	717,187	11,772,664
MINING CLAIMS AND RIGHTS AND DEFERRED EXPLORATION AND DEVELOPMENT THEREON		1,590,585
DEFERRED CHARGES		
Preproduction expenditures in Ireland (note 3)	7,526,198	
Discount of First Mortgage Bonds Series A	1,567,000	
Other	234,868	9,328,066
EXCESS OF COST OF SHARES OF SUBSIDIARY		
Mogul of Ireland Limited, over book value on acquisition		83,841
		$35,695,135

INTERNATIONAL MOGUL MINES LIMITED
THE AMALGAMATED COMPANY

Pro Forma Consolidated Balance Sheet
August 31, 1968

LIABILITIES (note 5)

CURRENT LIABILITIES			
Bank loan, secured by pledge of certain investments		$ 500,000	
Accounts payable and accrued liabilities		1,482,174	
Loan payable		576,355	
			$ 2,558,529
LONG-TERM LIABILITIES			
Notes payable, due May 31, 1970		255,109	
First Mortgage Bonds of Mogul of Ireland Limited			
7% Series A	$7,000,000		
6¾% Series B (U.S. $6,500,000)	7,017,899		
6¾% Series C (U.S. $1,000,000)	1,075,038		
6¾% Series D (U.S. $4,000,000)	4,312,665	19,405,602	19,660,711
MINORITY INTEREST in Mogul of Ireland Limited			376,875

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized—4,000,000 shares without par value		
Issued —2,605,862 shares	$11,046,079	
CONTRIBUTED SURPLUS	$ 2,028,168	
RETAINED EARNINGS	$ 24,773	$13,099,020

CONTINGENT LIABILITY (note 6)

	$35,695,135

INTERNATIONAL MOGUL MINES LIMITED
THE AMALGAMATED COMPANY

Notes to Pro Forma Consolidated Balance Sheet

August 31, 1968

1. Companies Included

The amalgamating companies are Mogul Mines Limited ("Mogul Mines"), Canadian Dyno Mines Limited ("Dyno"), Lorado Uranium Mines Limited ("Lorado") and Yale Lead & Zinc Mines Limited ("Yale"). The pro forma consolidated balance sheet consolidates, after giving effect to the transactions in note 2, the accounts of International Mogul Mines Limited and its subsidiaries Mogul of Ireland Limited, Lorado of Bahamas Limited, M.E.M. Consultants Limited and Perry-Pattison Limited.

The pro forma consolidated balance sheet should be read in conjunction with the financial statements of each of the above amalgamating companies for the five years and periods ended August 31, 1968, including the notes thereto and the auditors' reports thereon, which are included elsewhere in this circular.

2. Pro Forma Transactions

The pro forma consolidated balance sheet gives effect at August 31, 1968 to:

(1) The sale by Dyno of 100,000 shares of Mogul Mines for $455,000 cash.

(2) The purchase by Mogul Mines of 1,151,300 shares of McWatters Gold Mines, Limited for $575,650 cash.

(3) The issuance of supplementary letters patent, prior to the amalgamation, to each of the amalgamating companies, which supplementary letters patent have the effect of eliminating on the balance sheets of the amalgamating companies items of accumulated operating deficit and discount on issuance of shares and which decrease the issued capitals of the amalgamating companies. Further, one of the amalgamating companies, prior to the amalgamation, transferred by by-law contributed surplus to issued capital.

(4) The issue of letters patent of amalgamation confirming the agreement of Mogul Mines, Dyno, Lorado and Yale to amalgamate and continue as one company, under the name International Mogul Mines Limited, with an authorized capital of 4,000,000 shares without par value.

(5) The cancellation, without repayment of capital of the following intercompany share holdings involving the amalgamating companies:

(a) The 2,026,730 shares of Dyno held by Mogul Mines.
(b) The 315,000 shares of Lorado held by Mogul Mines.
(c) The 1,215,000 shares of Lorado held by Dyno.
(d) The 578,300 shares of Yale held by Mogul Mines.

(6) The conversion of the shares of the amalgamating companies issued and outstanding as follows:

(a) The 7,543,246 shares of Mogul Mines on the basis of 4 shares for each one share of the amalgamated company.
(b) The 834,270 shares of Dyno on the basis of 6 7/10 shares for each one share of the amalgamated company.
(c) The 4,864,390 shares of Lorado on the basis of 8 9/10 shares for each one share of the amalgamated company.
(d) The 4,113,706 shares of Yale on the basis of 84 shares for each one share of the amalgamated company.

(7) The provision for the expenses of the reorganization and amalgamation estimated at $75,000.

3. Basis of Valuation of Assets

The assets of the amalgamated company are valued on the same bases as those of the constituent companies as disclosed in their respective financial statements included elsewhere in this circular except for preproduction expenditures in Ireland. In its consolidated financial statements of prior years, Mogul Mines adopted the policy of absorbing as an expense the cost of providing services during the preproduction period to its subsidiary, Mogul of Ireland Limited. The policy of the amalgamated company will be to defer these costs, estimated at $675,000, to be amortized with other preproduction expenditures relating to the Silvermines property.

4. Investments

Subsidiaries not consolidated are as follows:	Net book value	Quoted market value	Minority interest
Irish Copper Mines Limited	$686,789	$478,434	47%
Others	93,313	Nil	Various
	780,102		

Because of the large blocks of shares held, the quoted market value of shares of mining and other companies (excluding the shares of The Grand Bahama Development Company, Limited) is not necessarily indicative of amounts that might be realized if these investments were to be sold.

The debentures of Consolidated Halliwell Limited have been surrendered for shares of that company subsequent to August 31, 1968. In the balance sheet of the amalgamated company this investment has been included in shares of mining and other companies.

5. LIABILITIES OF SUBSIDIARIES

The amalgamated company has no liability by way of guarantee or otherwise for any liabilities of Mogul of Ireland Limited or other subsidiaries.

6. CONTINGENT LIABILITY

Reference is made to note 11 to the financial statements of Mogul Mines included elsewhere in this circular.

INTERNATIONAL MOGUL MINES LIMITED

THE AMALGAMATED COMPANY

Auditors' Report

To the Directors of
MOGUL MINES LIMITED
CANADIAN DYNO MINES LIMITED
LORADO URANIUM MINES LIMITED
YALE LEAD & ZINC MINES LIMITED

We have examined the pro forma consolidated balance sheet of International Mogul Mines Limited, the amalgamated company resulting from the amalgamation of the four companies referred to above, and report that in our opinion the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at August 31, 1968 after giving effect, as at that date, to the pro forma transactions set out in Note 2.

Toronto, Canada,
October 31, 1968.

(Sgd.) THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

INTERNATIONAL MOGUL
MINES LIMITED
ANNUAL REPORT 1968

INTERNATIONAL MOGUL
MINES LIMITED
ANNUAL REPORT 1968

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DIRECTORS

R.D. Bell, C.A., Toronto, Ont.
Latham C. Burns, B.A., Toronto, Ont.
P.S. Cross, B.Sc., Toronto, Ont.
R.A. Davies, Q.C., Toronto, Ont.
E.T. Donaldson, Toronto, Ont.
W. James, Ph.D., Toronto, Ont.
D.W. Knight, Toronto, Ont.
John Kostuik, B.Sc., Don Mills, Ont.
E.B. McConkey, C.A., Scarborough, Ont.
G.D. Pattison, C.A., R.R. No. 2, Aurora, Ont.
S.A. Perry, F.C.I.S., Toronto, Ont.
Anthony Roman, R.R. No. 2, Gormley, Ont.

OFFICERS

S.A. Perry, F.C.I.S., Chairman of the Board
D.W. Knight, President and Chief Executive Officer
G.D. Pattison, C.A., Vice-President, Administration
P.S. Cross, B.Sc., Vice-President, Operations
R.D. Bell, C.A., Vice-President, Finance
W.W. Weber, Ph.D., Vice-President, Exploration
J.P. Brisbois, C.A., Secretary-Treasurer

AUDITORS

Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada, Toronto, Ont.

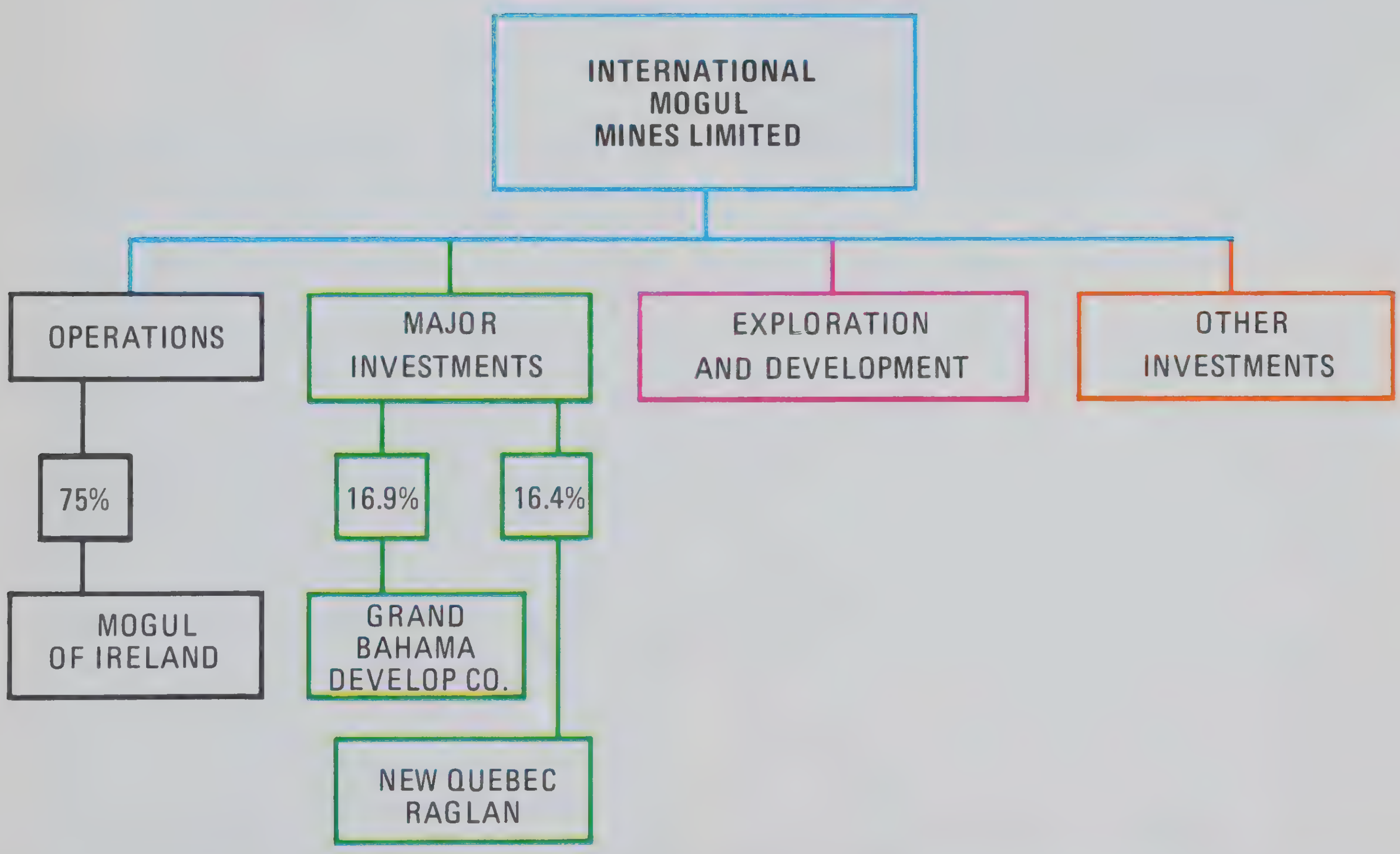
BANKERS

The Toronto-Dominion Bank, Toronto, Ont.

HEAD OFFICE

Suite 509, 25 Adelaide Street West, Toronto, Ont.

CORPORATE STRUCTURE



TO THE SHAREHOLDERS

The year 1968 was one of significance for International Mogul Mines Limited. On November 20, the company was formed by the amalgamation of four predecessor companies, Mogul Mines Limited, Canadian Dyno Mines Limited, Lorado Uranium Mines Limited and Yale Lead & Zinc Mines Limited.

With the aggregate value of the shares of the amalgamate companies exceeding $50 million, it was considered that International Mogul would have a greater growth potential and a more secure financial base than that of the amalgamating companies. In addition, the complex inter-company holdings were eliminated and a diversification of interests was provided to the benefit of all shareholders. Administrative savings and improved management efficiency have been achieved as a result of a simplification in the corporate structure of the group. Major benefits are expected to be realized as the broad base is utilized for expansion and growth.

Since a significant part of the Company's assets are of a relatively liquid nature, the Company is in a flexible position to take advantage of investment opportunities as they present themselves. It is the Company's policy to pursue new ventures in which it will be able to obtain a major interest.

Significant developments were achieved in all areas of Company activity, as well as in the companies in which International Mogul has a major interest. The culmination of almost six years of exploration and construction at the Mogul of Ireland site, occurred in September 1968 with the official mine opening in the presence of An Taoiseach, Mr. Jack Lynch, Head of State of the Republic of Ireland.

Although the normal problems associated with a project of this magnitude were encountered during the construction and tune-up periods, the mine is now operating as forecast. The project was completed $1.6 million under estimated capital cost and in addition since year-end $1.5 million U.S. of bonds have been redeemed from earnings.

The demand-supply relationship for the Company's products, lead and zinc, appears favourable as evidenced by the roughly three quarters of a cent U.S. per pound increase in the European selling price for zinc, announced in May, 1969. Continued firmness in the prices for these metals is anticipated and earnings should benefit accordingly.

Grand Bahama Island experienced another year of exceptional growth in all areas and this was reflected in the statements of The Grand Bahama Development Company for the year ending October 31, 1968. A significant development was the acquisition in February, 1969 by Benguet Consolidated Inc., listed on the New York Stock Exchange, of 92.5% of the Grand Bahama Port Authority Limited, who in turn own 54% of the outstanding capital stock of the Development Company. The subsequent substantial

Pictured from left: Jack Lynch, Marsh A. Cooper, Mrs. J. Lynch and P.S. Cross.

activity and appreciation in price of the Benguet shares is a further indication of the interest being generated in the Island. Another year of significant progress for the Development Company is indicated in 1969.

With continued tightness of supply indicated, the mining industry is in active pursuit of new sources of nickel. New Quebec Raglan's Ungava property represents one of the more significant nickel deposits currently being developed in Canada. Results from the 60,000 feet of surface drilling completed in 1968 have been very encouraging. The New Quebec Raglan company in which Falconbridge Nickel Mines Limited has a 60.5 per cent interest is now committed to a two-year program of underground and surface exploration, at a cost of approximately $5,600,000 which Falconbridge is financing. During this period, further detailed engineering and metallurgical studies will go forward, as a basis for a decision on whether to put the property into production.

Our Company was deeply involved in exploration activity, both alone and in conjunction with associates, in various parts of the world during the year. In addition, more than 100 potential mining prospects were evaluated during the year in such diverse locations as Australia, England, the United States and Spain.

At the end of a particularly gratifying year, the directors wish to convey their sincere appreciation to the Company's officers, employees, consultants and associates, for their outstanding contribution, and for their excellent co-operation and efforts.

On behalf of the Board,

Toronto, Ontario
June 4, 1969

D. W. Knight President

OPERATIONS

75%

MOGUL OF IRELAND

MOGUL OF IRELAND LIMITED

The year 1968 was one of achievement for the Company's 75% owned operating subsidiary, Mogul of Ireland Limited. The completion of construction of the 3,000 tons per day mining and concentrating complex at a savings of $1,612,000 under the capital cost estimates and the commencement of production towards the end of May marked the culmination of an effort commenced in 1962.

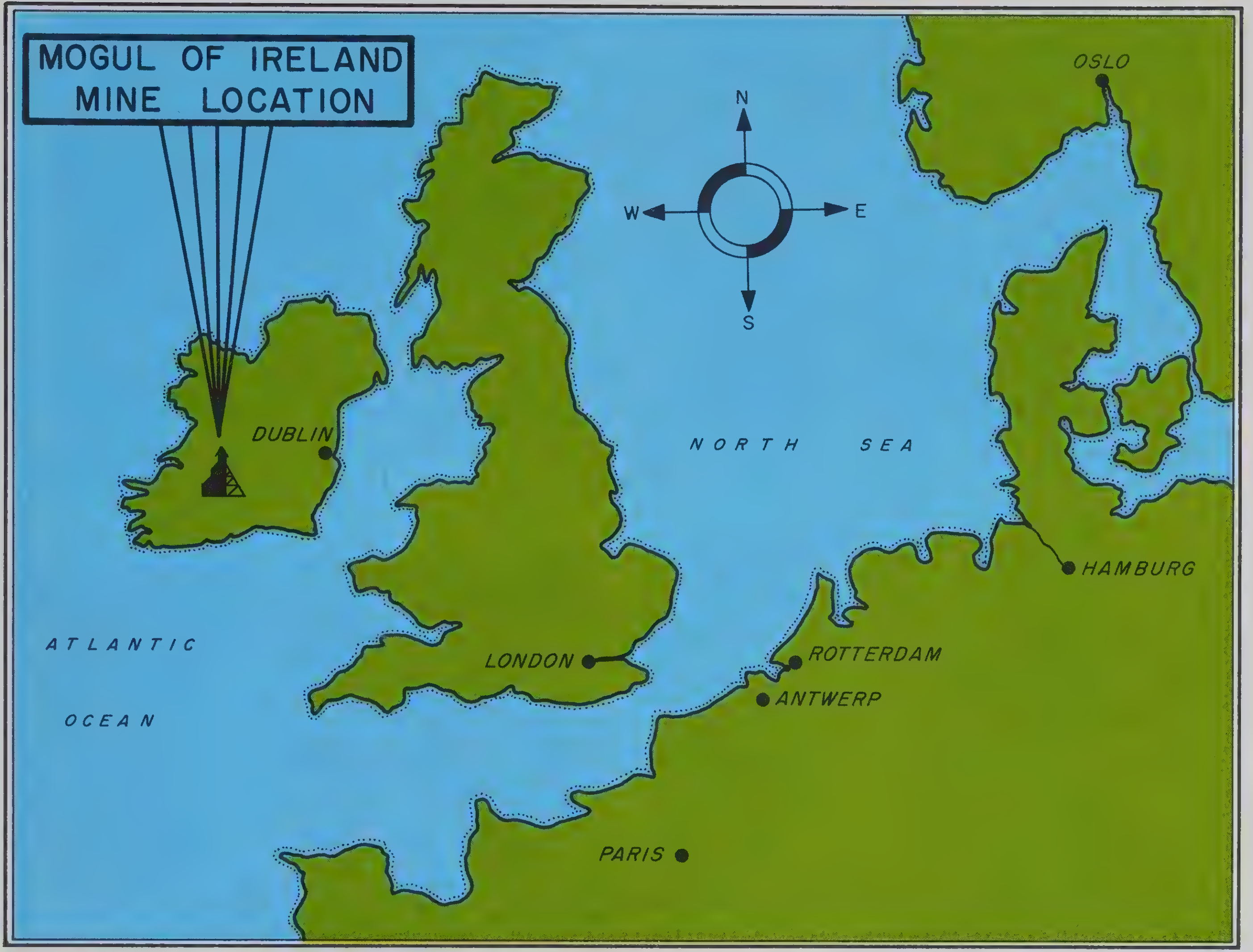
The usual problems associated with the commencement of an operation of this magnitude were encountered both in the mine and in the concentrator. However, following a tune-up period which extended well into the fourth quarter, mine production and the ore treatment rate advanced progressively approaching near optimum levels at year end. During 1968 the mill treated a total of 447,497 tons of ore grading 1.77% lead and 8.53% zinc, of which 102,500 tons came from the surface stockpile. The stockpile ore, being highly oxidized from long exposure on surface and of low grade, had deleterious effects on metallurgical performance. Concentrate production amounted to 12,421 tons of lead and 61,636 of zinc yielding recoveries of 45.30% and 78.66% respectively.

The start-up was delayed by the necessity of concreting and extensively grouting a portion of the mine ore pass system to prevent water seepage entering this ore handling facility and causing problems in the mill crushing circuits. The inability to obtain experienced miners and mill operators resulted in delays in getting the mine up to production requirements and mill performance up to standard. Extensive training programmes for mine and mill personnel had to be undertaken and will continue to be a normal part of the operation.

All underground work during the year was confined to preparing the mine for production. A total of 16,589 feet of lateral openings were driven in preparing 12 stoping blocks for mining. Underground diamond drilling, outlining ore limits for stope preparation, totalled 24,612 feet. No change in ore reserves was made from that reported in previous years other than to reduce same by the tonnage milled.

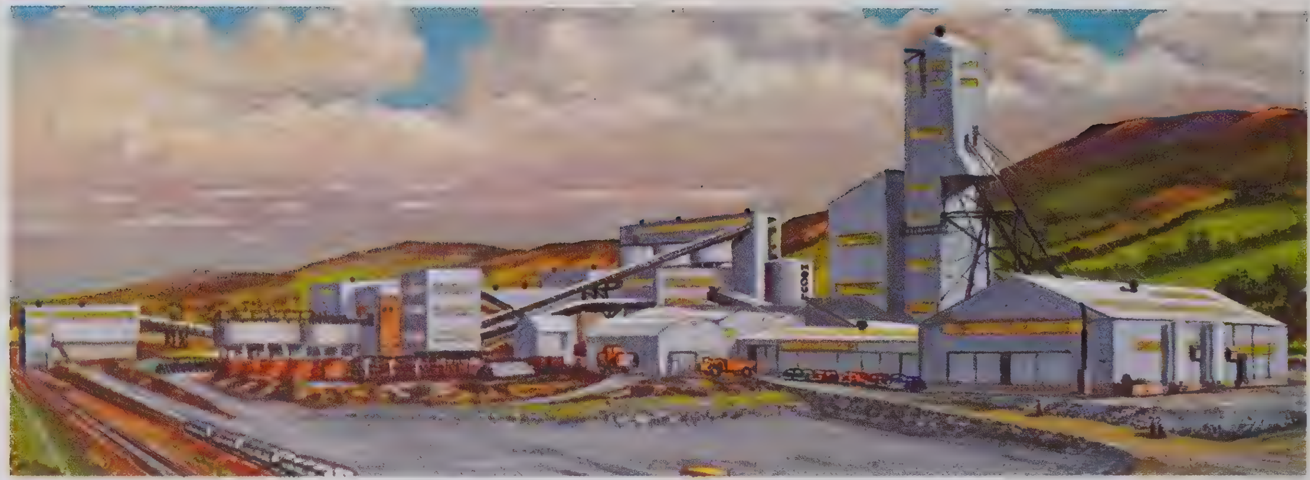
Since the first of the current year the concentrator has been operating at its design rate of 1,000,000 tons per annum with grades and metallurgical performances very close to those forecasted in the original feasibility study. This substantial improvement in performance following the tune-up period of last year along with better than forecasted operating costs and favourable metal prices, has permitted the retirement of $1.5 million U.S. of Bonds to the end of May, 1969.

A view of the surface plant Mogul of Ireland Limited.



Operating Results January - April 1969

	January	February	March	April	Total
Tons Ore Treated:	83,381	78,084	88,913	88,581	338,959
Tons Lead Concentrate Produced:	2,488	2,425	2,573	3,588	11,074
Tons Zinc Concentrate Produced:	13,177	12,015	15,444	14,723	55,359
Revenue:	$905,400	$828,600	$1,007,900	$1,157,400	$3,899,300
Operating Costs:	456,400	417,300	441,900	467,200	1,782,800
Marketing Costs	97,700	95,700	121,200	121,500	436,100
Operating Profit:	351,300	315,600	444,800	568,700	1,680,400
Interest Charges:	120,600	120,600	121,000	116,900	479,100
State Royalties:	-	3,200	-	300	3,500
Cash Generated:	$230,700	$191,800	$323,800	$451,500	$1,197,800



Reproduction of painting by F.R. Janes, the Chief Chemist of Mogul of Ireland Limited

At the present time extensive metallurgical test work is being undertaken both in the plant and at outside laboratories in an effort to improve further upon metallurgical efficiencies. It is contemplated that some additional equipment will be installed this year, particularly in cell capacity, to handle surges of high grade mill feed. Work has already commenced on additional concentrate storage facilities required at the sea port of Foynes.

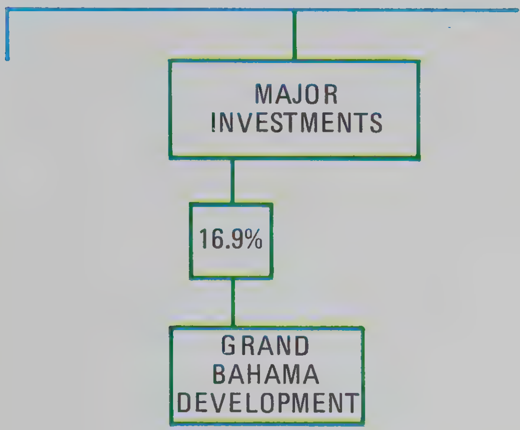
Test work has been commenced on the design of a backfill plant to deslime mill tailings for use as mine backfill to permit the recovery of stope pillars. Several variations in mining methods are currently being tried in a constant effort to improve mining efficiencies.

Steady improvement has been experienced in all phases of the operation since the commencement of production and further improvements are anticipated.

Grinding circuit

Flotation circuit

The storage and loading facilities at Foynes



THE GRAND BAHAMA DEVELOPMENT COMPANY LIMITED

The Grand Bahama Development Company and the Grand Bahama Port Authority (which owns 54% of the Development Company), and their various subsidiaries are engaged in the development of an area comprising approximately 214 square miles in and around the City of Freeport on Grand Bahama Island about 80 miles east of Palm Beach, Florida. Grand Bahama Island, which is about 80 miles long and 8 miles wide, is located approximately 60 miles due east of the United States mainland of Palm Beach, Florida and lies athwart the main north-south shipping lines from the East Coast ports of the United States to the Caribbean Islands, Central and South America. The City of Freeport, which lies on the southern coast of Grand Bahama Island, is about 20 miles from the western tip of the Island.

By the Hawksbill Creek Act of August 1955, the Government of the Bahamas granted the Port Authority and its subsidiaries certain tax privileges and rights in return for specified work to be carried out by the Port Authority. These privileges included exemption until 1990 on property taxes and income taxes for the Port Authority, its subsidiaries, licencees and employees. Also, until 2054 there will be complete exemption in the Freeport area from import duties, excise taxes, export taxes and stamp taxes. In addition, the Port Authority has the exclusive right to grant business licences in the Freeport area.

These tax incentives have provided the attraction for the foundation of an industrial base, largely geared to the export market, which, in turn, complements the rapid growth of residential and tourism development in the area.

SELECTED ISLAND STATISTICS

Population	**1963**	**1965**	**1968**
Grand Bahama	9,500	21,000	40,000
Freeport	1,850	8,500	20,000
Tourism			
Total Arrivals	60,000	237,845	485,047
Hotel Rooms	395	2,281	3,880
Construction			
Building Permits Issued			
Number	N/A	339	531
Value ($000)	N/A	16,016	36,772
Utilities			
Electricity			
Produced (K.W.H.)	N/A	37,235	122,065

Aerial view of hotels on Lucayan beach

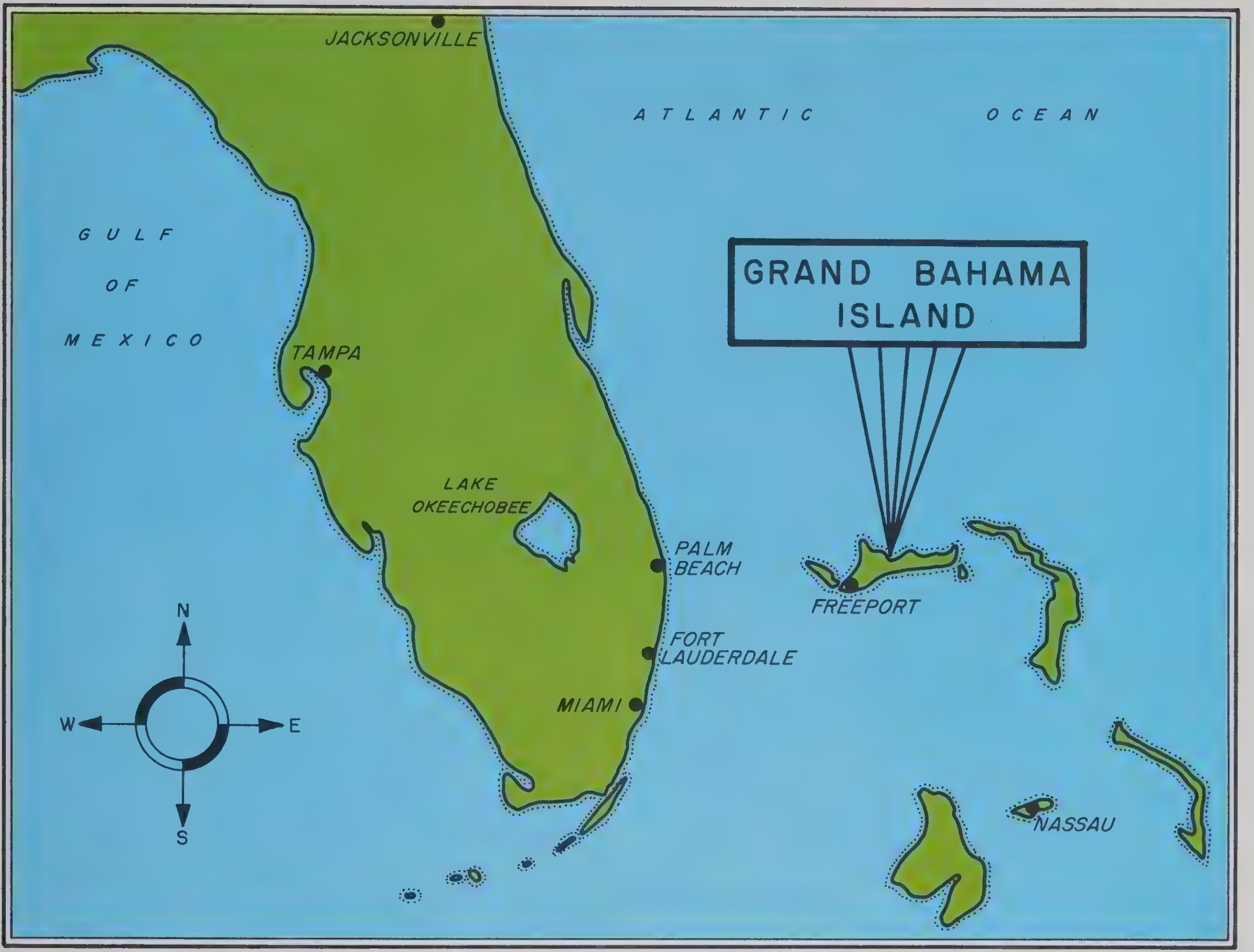
Water Consumed			
(000 gals. per day)	270	945	2,648
Roadway (Total			
Miles)	103	214	645
Transportation - Traffic Handled			
Air Freight			
(000 lbs.)	N/A	2,291	3,895
Shipping-Cargo			
Throughput (Tons)	117,400	749,400	1,160,516

The Development Company and its associated companies derive their revenue from several sources. The single most important contributor continues to be land sales, which totalled $24,790,201 in the fiscal year ending October 31, 1968.

The Development Company owned about 100,000 acres principally to the east of the City of Freeport in the area known as Lucaya. Approximately 25,000 of these acres have been

The Grand Lucayan waterway

Industrial development in Freeport, Grand Bahamas showing in the foreground the construction of the $60 million oil refinery of Bahamas Oil Refining Company and the completed $50 million cement plant of the Bahamas Cement Co. a wholly owned subsidiary of United States Steel Corp.



improved for sale as homesites and about 15,000 acres have already been sold. The Development Company has constructed streets and installed electrical lines and storm and sanitary sewers in certain limited portions of the developed area and is obligated to construct additional streets and facilities. In general the Development Company does not encourage the sale of large tracts of lands to developers, but prefers to sell single family homesites to the ultimate users or an apartment site to a builder.

The Development Company is dredging a creek which bisects Grand Bahama Island in a general north-south direction, in order to make it into a navigable waterway which will give persons on the north side of the Island a water access to the south. As a result more waterfront homesites will be created along the waterway and on spurs.

Bahamas Amusements Limited remits to the Development Company the net profits derived from its operations. In the 1968 fiscal year these profits amounted to $431,028 and were reflected in the Development Company's income statement. Bahamas Amusements Limited has obtained an exclusive certificate of exemption from the Government of the Bahamas to operate casinos on Grand Bahama Island for a ten-year period commencing January, 1964. At the present time Bahamas Amusements is operating two casinos, one at the Lucayan Beach Hotel and one in a separate building known as El Casino.

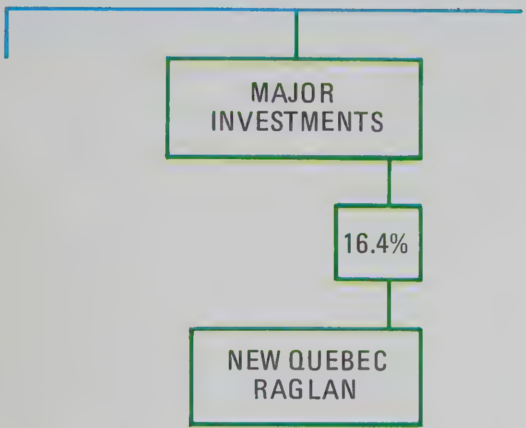
Grand Bahama Service Company, 49% owned by the Development Company, is the sole licensing authority for businesses in the area, while other associated companies are involved in property rental and management, construction, water utility and garbage disposal. The Development Company's

interest in the earnings of these non-consolidated companies amounted to $1,948,000 in 1968.

Finally, interest income totalling $1,549,409 was earned in 1968, primarily from the 6% charge on land sale financing (term land sales are usually payable in equal monthly installments over 5 years and, at October 31, 1968, $26,054,575 was due under land sale agreements) as well as from short term cash investments.

Earnings of the Development Company in 1968 amounted to $6,424,014, excluding the Company's portion of the aforementioned income of non-consolidated companies. (It should be noted that all figures for the Development Company are stated in U.S. dollars.)

For International Mogul the Development Company represents a major asset as it owns 1,950,000 shares of the Development Company, being 16.9% of the 11.5 million shares outstanding at October 31, 1968.



NEW QUEBEC RAGLAN MINES LIMITED

New Quebec Raglan, controlled by Falconbridge Nickel Mines Limited, holds mineral exploration licences on four contiguous properties in a nickel-copper belt located in the Ungava Region of Northern Quebec. Up to December 31, 1968, $7,454,102 had been spent on exploration and development work. In February, 1969, a two year program, estimated to cost approximately $5.6 million, was announced by New Quebec Raglan. The primary aims of the underground portion of this program will be to confirm in detail the ore zones indicated by surface drilling. A further program of surface drilling on the properties is also contemplated.

At the Raglan and Katiniq areas of the property, surface diamond drilling has indicated the following estimated ore reserves, without dilution:

	Tons	% Nickel	% Copper
Raglan	2,620,700	4.43	0.99
Katiniq	3,392,900	3.06	0.89
	6,013,600	3.66	0.93

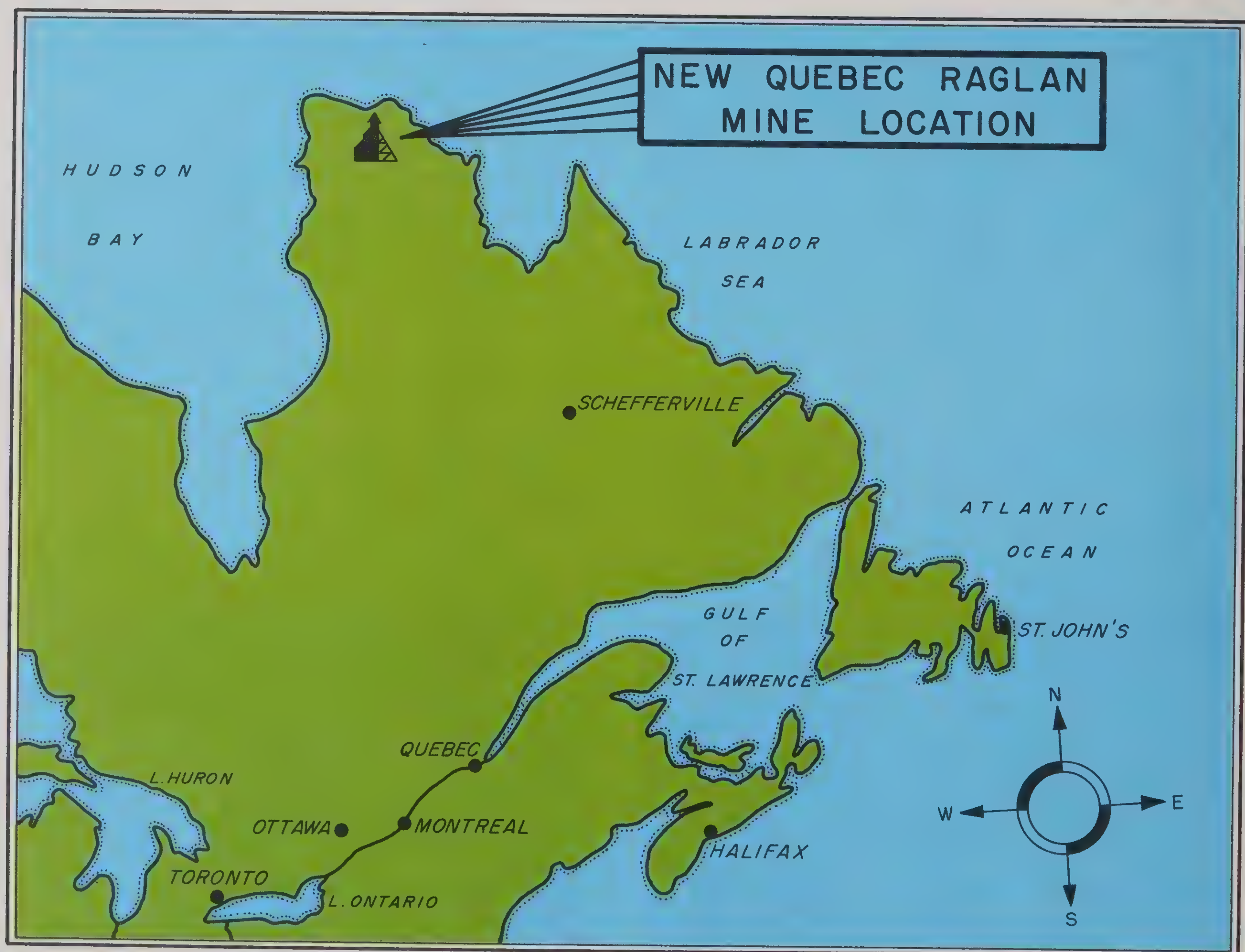
Exploration work on the Cross Lake area of the property has outlined an indicated 10,050,000 tons of ore grading 1.55% nickel and 0.78% copper. Reconnaissance drilling in the Boundary area outlined several ore grade sections along an east-west strike-length in excess of 600 feet. One intersection of 29.5 feet graded 5.60% nickel and 1.36% copper. Extensive work will be required to assess the potential of this new zone.

Although problems were encountered in the metallurgical testing of the Cross Lake ore, the Company is optimistic that with continued metallurgical research, the ore will yield acceptable recoveries. Metallurgical response on the Raglan and Katiniq ores has been favourable.

New Quebec Raglan enjoyed a strong financial position at December 31, 1968 with $1,250,905 in working capital and 67,604 shares in Asbestos Corporation, with a market value of $1,673,199 on that day.

International Mogul Mines owns 1,226,820 shares of New Quebec Raglan, being 16.4% of the 7,500,000 shares outstanding with an approximate market value of $17,000,000 at December 31, 1968.

Initial development and drilling at the New Quebec Raglan Ungava property.


NEW QUEBEC RAGLAN MINE LOCATION
HUDSON BAY
LABRADOR SEA
SCHEFFERVILLE
ATLANTIC OCEAN
GULF OF ST. LAWRENCE
ST. JOHN'S
QUEBEC
L. HURON
OTTAWA
MONTREAL
HALIFAX
TORONTO
L. ONTARIO
N
W
E
S

EXPLORATION AND DEVELOPMENT

EXPLORATION AND DEVELOPMENT

The Company is engaged in numerous widespread exploration and development projects. These activities were mainly centred in Cape Breton, Ireland and northern Ontario.

International Mogul Mines Limited in the amalgamation with Yale Lead & Zinc Mines Limited acquired the option to the barite-fluorspar deposit, located on the east side of Lake Ainslie, Cape Breton Island, Nova Scotia.

Feasibility studies, completed early in 1968, projected the capital costs of a 1000 ton per day mining, milling and ancillary facilities at a figure beyond economic reality.

Subsequent research and investigation have been directed to modification and deletions aimed primarily at a more viable approach with considerably lower capital costs.

In consequence, bench testing in the laboratory was undertaken to determine the recovery and grade of the two end products, with a view to the incorporation of the greater possible economics in the production of concentrates acceptable to the industry. Such preliminary bench tests were satisfactorily completed. Currently a full scale pilot operation has been initiated for the purpose of achieving a continuous flow sheet on standards indicated in the bench tests.

The Company undertook extensive programs of exploration during the year, in Ireland. The Carbery project, the principal activity of the exploration program in Ireland, involved a stream-sediment survey and geological mapping and investigation of over 70 old mine areas in a 850 square mile area of Cork and Kerry counties. As a result, intensive geochemical and geophysical surveys are underway in five selected areas this year and preliminary results appear to warrant drilling. The Carbery project is being undertaken by Irish Metal Mining Company Limited, which is 40% owned by International Mogul and 20% by each of three associated companies.

The Company, in association with another major Irish producer, plans to investigate four long standing licence areas of previous endeavour. Considerable expenditure is anticipated in the investigation of the lead-zinc prospect originally discovered in 1963 in Courtbrown Townland, County Limerick.

International Mogul and associated companies in various syndicates and partnerships have commenced or are continuing exploration programs involving geological mapping and geochemical surveys on 13 prospecting licences covering 128 sq. miles. The programs of investigation are mainly in the reconnaissance stage with the exception of the detailed investigations in licence 595, County of Offaly, a 70% owned holding in the Irish subsidiary, Patard Limited.

A joint venture with our Company in equal partnership with North Coldstream Mines Limited has been underway for two years in the Crescent Lake - Juneau Lake areas, near Armstrong in northern Ontario. Diamond drilling of the geophysical anomalies has been the major activity of the past eight months and recently has encountered significant copper -nickel mineralization in the B-4-7 anomaly in the Juneau Lake area. It is anticipated that extensive diamond drilling now in progress will be required to complete the evaluation of this mineralized zone.

It is Company policy to maintain an open door to prospectors and developers and seek out prospects of merit. Over 100 such property and prospect evaluations were undertaken in 1968. These examinations were far-flung including Spain, England, Ireland, 5 of the states in the U.S.A. and British Columbia, Saskatchewan, Manitoba, Ontario, Quebec and the Maritime Provinces.

TABLE OF INVESTMENTS

INVESTMENT INFORMATION — The Company owns investments in shares of several other companies, some of which are mentioned below:

COMPANY	NUMBER OF SHARES (Dec. 31, 1968)	BOOK VALUE	MARKET VALUE (Dec. 31, 1968)
CONSOLIDATED HALLIWELL LIMITED	1,462,972	$877,602	$848,524
IRISH COPPER MINES LIMITED	2,990,213	686,789	433,581
McWATTERS GOLD MINES LIMITED	1,435,800	582,943	961,986
NORTH COLDSTREAM MINES LIMITED	330,000	411,561	508,200
NORTH RANKIN NICKEL MINES LIMITED	1,307,600	471,595	653,800
PANACOLOR, INC.	9,960	54,232	180,176

AUDITORS' REPORT

To the Shareholders of

International Mogul Mines Limited

We have examined the consolidated balance sheet of International Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1968 and the combined statements of income, deficit and source and application of funds and the consolidated statement of preproduction expenditures for the four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at December 31, 1968 and the results of their consolidated and combined operations and the source and application of their funds for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the amalgamating companies except for the change in accounting practice set out in note 10.

Thorne, Gunn, Helliwell & Christenson

Toronto, Canada
March 17, 1969

Chartered Accountants

INTERNATIONAL MOGUL MINES LIMITED
Incorporated under the laws of Ontario
AND ITS CONSOLIDATED SUBSIDIARIES

ASSETS

CURRENT ASSETS		
Cash	1,057,867	
Accounts receivable	91,876	
Project funds held by trustee (note 2)	190,151	
Income tax deposit and accrued interest	161,882	
Concentrates on hand and in process of settlement, at estimated net realizable value	1,627,967	
Inventory of supplies, at cost	537,364	
Prepaid expenses and deposits	31,462	3,698,569
DEPOSITS		
Income taxes under appeal (note 10)	110,496	
Port dues (note 3)	208,411	318,907
INVESTMENTS (note 4)		
Subsidiaries not consolidated (note 5)	785,609	
Other companies (quoted market value $27,503,000)	7,819,804	8,605,413
FIXED ASSETS		
In Ireland, Silvermines property, at cost		
Mineral leases and rights (note 6)	1,805,747	
Land, buildings, plant and equipment	9,422,102	
In Canada (note 7)		
Buildings, machinery and equipment	727,548	11,955,397
MINING CLAIMS AND RIGHTS		
Cost	402,902	
Deferred exploration and development expenditures thereon	1,154,630	1,557,532
DEFERRED CHARGES		
Preproduction expenditures in Ireland (note 8)	7,289,524	
Discount on First Mortgage Bonds, Series A	1,567,000	
Other	244,703	9,101,227
EXCESS OF COST OF SHARES OF SUBSIDIARY, over book value on acquisition		
Mogul of Ireland Limited (note 1)		83,841
		$35,320,886

LIABILITIES

CURRENT LIABILITIES			
Bank loan, secured by pledge of certain investments		500,000	
Accounts payable and accrued liabilities		1,354,820	1,854,820
LONG-TERM LIABILITIES			
Notes payable, due May 31, 1970		255,109	
First Mortgage Bonds of Mogul of Ireland Limited (note 2)			
7% Series A	7,000,000		
6-3/4% Series B (U.S. $6,500,000)	7,017,899		
6-3/4% Series C (U.S. $1,000,000)	1,075,038		
6-3/4% Series D (U.S. $4,500,000)	4,846,853	19,939,790	20,194,899
MINORITY INTEREST in Mogul of Ireland Limited (note 1)			376,875

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 9)		
Authorized — 4,000,000 shares without par value		
Issued — 2,605,862 shares	11,046,079	
CONTRIBUTED SURPLUS	2,028,168	
	13,074,247	
DEFICIT	179,955	12,894,292
CONTINGENT LIABILITIES (note 10)		

Approved by the Board

Director

Director

$35,320,886

COMBINED STATEMENT OF INCOME

Four months ended December 31, 1968

Income		
Income from investments	51,107	
Consulting fees	90,485	
Management fees	48,478	190,070
Expenses		
Cost of consulting services	45,026	
Executive salaries	44,788	
Financial expenses	6,955	
Interest	31,495	
Legal and audit	22,830	
Office salaries, supplies and rent	51,104	
Shareholders' information	19,479	
General exploration and property maintenance	26,178	
Other	12,756	260,611
Loss before income tax recovery		70,541
Income tax recovery of consolidated subsidiaries		2,358
Loss for period		$68,183

COMBINED STATEMENT OF DEFICIT

Four months ended December 31, 1968

Retained earnings at beginning of period (note 12)		25,931
Add profit on sale of investment		73,842
		99,773
Deduct		
Loss for period	68,183	
Amalgamation and organization expenses	159,354	
Mining claims abandoned		
Cost	39,000	
Exploration expenditures	5,228	
Other	7,963	279,728
Deficit at end of period		$179,955

CONSOLIDATED STATEMENT OF PREPRODUCTION EXPENDITURES IN IRELAND

Four months ended December 31, 1968

Balance deferred at beginning of period		7,526,198
Expenditures for period		
Mining and development	752,804	
Milling	487,969	
Marketing	488,189	
Administration and general	538,615	
Interest on first mortgage bonds	457,247	2,724,824
		10,251,022
Less production		2,961,498
Balance deferred at end of period (note 8)		$7,289,524

COMBINED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Four months ended December 31, 1968

Source of funds		
Issue of first mortgage bonds, Series D	534,188	
Sale of investments	455,000	
Excess of production over preproduction expenditures in Ireland	236,674	
Recovery of port dues	6,022	1,231,884
Application of funds		
Loss for period	68,183	
Amalgamation and organization expenses	159,354	
Investment in and advances to subsidiaries not consolidated	7,484	
Investment in other companies	767,886	
Additions to fixed assets	164,160	
Exploration expenditures	30,282	
Other	4,564	1,201,913
Increase in working capital		29,971
Working capital at beginning of period (note 12)		1,813,778
Working capital at end of period		$1,843,749

INTERNATIONAL MOGUL MINES LIMITED

and its consolidated subsidiaries

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Four months ended December 31, 1968

1. BASIS OF CONSOLIDATION AND COMBINATION

The company results from the amalgamation by Letters Patent dated November 20, 1968 of Mogul Mines Limited, Canadian Dyno Mines Limited, Lorado Uranium Mines Limited and Yale Lead & Zinc Mines Limited. The accounts of the amalgamating companies have been combined in these financial statements for the period from September 1, 1968 to November 20, 1968 with the accounts of the consolidated subsidiaries, Mogul of Ireland Limited (see below), Lorado of Bahamas, Limited, M.E.M. Consultants Limited and its subsidiary Perry-Pattison Limited, for the fours months ended December 31, 1968. With the exception of Mogul of Ireland, these subsidiaries are wholly-owned.

The accounts of Lorado of Bahamas are recorded in U.S. dollars and have been converted to Canadian dollars at the rate of exchange prevailing at the date the predecessor company acquired its investment.

MOGUL OF IRELAND LIMITED

The investment in Mogul of Ireland, representing a 75% interest in the shares of that company, is carried on the books of the company at a cost of $1,214,466 which exceeds book value by $83,841.

The accounts of Mogul of Ireland are recorded in Sterling, which currency was devalued on November 18, 1967. On the accompanying financial statements the sterling accounts have been converted as set out below except in those cases where actual known dollar amounts are applicable to particular transactions:

(1) Fixed assets acquired pre-devaluation have been converted at a rate of Cdn. $3.015 to £1, and those acquired post-devaluation at a rate of Cdn. $2.57 to £1.

(2) Current assets and current liabilities have been converted at Cdn. $2.558 to £1, the prevailing rate at December 31, 1968.

(3) The Port dues deposit has been converted at Cdn. $2.57 to £1.

(4) Mineral leases and rights have been converted at Cdn. $3.015 to £1.

(5) Preproduction expenditures incurred pre-devaluation have been converted at Cdn. $3.015 to £1 and post-devaluation expenditures at Cdn. $2.57 to £1.

(6) The First Mortgage Bonds are recorded at net proceeds in terms of Canadian dollars at time of issue.

(7) Capital stock has been converted at Cdn. $3.015 to £1.

2. FIRST MORTGAGE BONDS OF MOGUL OF IRELAND LIMITED

Maturity dates of the bonds are as follows:

7%	Series A	– September 1, 1975
6 3/4%	Series B	– September 1, 1973
6 3/4%	Series C	– September 1, 1973
6 3/4%	Series D	– September 1, 1971

Subsequent to December 31, 1968, U.S. $500,000 principal amount (Cdn. $536,550) of Series D bonds were issued. No further bonds have been or will be issued.

All bonds are secured by a first fixed and specific mortgage and charge on all the real and immovable property of Mogul of Ireland and all buildings and fixed plant, machinery and equipment constructed or acquired by it as part of the development program of the Silvermines property, together with all monies and securities from time to time forming part of the project funds (see below) and all contracts entered into for the sale of concentrates; also by a first floating charge on the undertaking and all other property

and assets of Mogul of Ireland, both present and future. These bonds are not guaranteed by International Mogul Mines Limited.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to establish a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1969 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to pay into the retirement fund on or before September 1, in each of the years 1970 to 1974 inclusive, minimum amounts sufficient to redeem on a cumulative basis, on or before such dates, the following principal amounts of bonds:

By September 1, 1970 - U.S. $ 2,400,000
By September 1, 1971 - U.S. $ 5,000,000
By September 1, 1972 - U.S. $ 9,500,000
By September 1, 1973 - U.S. $12,500,000
By September 1, 1974 - U.S. $12,500,000
and Cdn. $ 3,500,000.

Proceeds from the issue of the First Mortgage Bonds were deposited with the trustee in a project fund. The monies in this fund became available to the company upon presentation to the trustee of certificates of expenditures incurred on the development program of the Silvermines property. The project fund terminated in March, 1969.

3. PORT DUES DEPOSIT

Mogul of Ireland has on deposit $208,411 (£81,094) with the Foynes Harbour Trustees. The deposit is recoverable over a period of ten years from July 3, 1968, the date of the first shipment of concentrates, at the rate of 1 shilling (13¢ Cdn.) per ton of concentrates exported through the port to a maximum of 1,680,000 tons. Should exports over the ten year period be below this figure the balance of the deposit is forfeited.

4. INVESTMENTS

Investments in shares, are valued at cost, cost less proceeds from disposals, or written down value. In the aggregate these investments are valued at substantially less than cost.

Because of the large blocks of shares held in certain companies, the quoted market values are not necessarily indicative of the value of the investment which may be more or less than that indicated by market quotations.

5. SUBSIDIARIES NOT CONSOLIDATED

Investments in other subsidiaries not consolidated are as follows:

	Net book value	Quoted market value	Minority interest
Irish Copper Mines Limited	$686,789	$433,600	47%
Other, including advances of $84,303	98,820		various
	$785,609		

The net book value of the investment in Irish Copper is its quoted market value at December 31, 1965. Because of the substantial minority interest in this company, its accounts have not been consolidated.

The investment in and advances to Canadian Vendbar Industries Limited included in other subsidiaries, are carried at nominal value. The company holds approximately 75% of the issued shares of Canadian Vendbar and its share of the loss of that company for the year ended June 30, 1968 was approximately $241,000 and its share of the write off to deficit of intangible assets was approximately $14,000. Losses of Canadian Vendbar for the current and prior years attributable to these shares held by the company aggregate approximately $632,000. The company has written off its investment in and advances to Canadian Vendbar Industries Limited in the aggregate amount of $1,053,526. Because the nature of Canadian Vendbar's business is entirely different from that of the company, its accounts have not been consolidated.

Other subsidiaries are inactive or in their initial development stages, and their shares are without quoted market value.

6. MINERAL LEASES AND RIGHTS

Mineral rights to the Silvermines property have been acquired in various parcels either by outright purchase or by lease and sub-lease from the State and others. Certain of the leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the

Republic of Ireland, comprising about 40% of the G Zone ore body, are leased for a term of 30 years subject to the payment of an annual royalty to the State based on that part of the profits from the Silvermines operation which the State-owned ore mined from the G Zone in each year bears to the total ore mined in such year, the rate of royalty varying from 4% on the first £350,000 on such part of the profits to a maximum of 10% thereof in excess of £1,750,000, subject to a minimum royalty of £2,500 per year.

7. FIXED ASSETS IN CANADA

These fixed assets are recorded at written down values or cost, less proceeds from disposals.

8. PREPRODUCTION EXPENDITURES IN IRELAND

Change in accounting practice:

In its consolidated financial statements of prior years, Mogul Mines Limited adopted the policy of absorbing as an expense the cost of providing services during the preproduction period to its subsidiary, Mogul of Ireland Limited. The policy of International Mogul however is to defer these costs, estimated at $735,000 (August 31, 1968, $675,000), to be amortized with other preproduction expenditures relating to the Silvermines property.

Production:

Although the mill commenced operating in May, 1968, management considers that the operation did not achieve a commercial level of production until January 1, 1969.

9. STOCK OPTION

As at December 31, 1968 an employee of Mogul of Ireland Limited held an option to purc hase an aggregate of 2,500 shares of International Mogul at a price of $12 per share exercisable as to 1,250 shares by August 1, 1969 and as to 1,250 shares in the year ended August 1, 1970.

10. CONTINGENT LIABILITIES

Income taxes:

The objection of Canadian Dyno Mines Limited to assessments totalling approximately $725,000 for the years 1961 to 1963 inclusive was upheld in part by a decision of the Tax Appeal Board dated March 31, 1966. The Minister of National Revenue has appealed this decision to the Exchequer Court and the recoverability of the amount of $110,496 held on deposit by the Receiver General of Canada in connection therewith depends on the results of this appeal which has not yet been heard. The company has pledged certain investments with the Receiver General of Canada as security.

Canadian Dyno has also filed notices of objection to assessments totalling approximately $235,000 for the years 1964 to 1966 inclusive.

Pending settlement of these appeals and objections, the company takes the position that no provision for income taxes is required on the assumption that its appeals will be allowed and available allowances for tax purposes will eliminate taxes otherwise payable.

Other:

Pursuant to an agreement dated October 8, 1962 with Silvermines Limited, the company has agreed to pay to Silvermines 25% of any excess of the effective rate of interest paid by Mogul of Ireland for the senior financing over 8% per annum. The effective rate is to be calculated upon redemption of all First Mortgage Bonds and an outstanding promissory note.

11. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) was $ 84,739 for the four months ended December 31, 1968.

12. COMPARATIVE FIGURES

Comparative figures are not provided as these are the first financial statements of the company since the amalgamation referred to in Note 1.

Working capital and retained earnings at the beginning of the period differ from the amounts indicated in the company's pro forma consolidated balance sheet as at August 31, 1968, through the net effect of pro forma adjustments not included in these opening balances.

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